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CURRENT INTELLIGENCE STAFF STUDY

"GREAT LEAP FORWARD" IN COMMUNIST CHINA
(Reference Title: Polo VII-59)

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CURRENT INTELLIGENCE STAFF STUDY

The "Great Leap Forward" in Communist China

This study is a working paper, reflecting information received through March 1959. The paper was prepared jointly by analysts of ORR and OCI. It discusses the first "upsurge" of 1955-56, the "ebb tide" of 1956-57, the second "upsurge" of autumn 1957, and the transformation of that "upsurge" into the "great leap forward" in the early months of 1958. The paper offers evidence of disagreement among Chinese Communist party leaders, with respect to economic policies, throughout the period examined (July 1955 - May 1958). The summary and conclusions of this paper appear as Part IV, "The Positions of Party Leaders," pages 105-122.

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Introduction

By May 1958 the Chinese Communist regime was well along in the process of mobilizing all the resources of Chinese society for the task of attaining a tremendous increase in all fields of production and construction. While a rapid advance was encouraged in many spheres of activity in China, the primary objective of the Ta Yush Chin--the "great leap forward"--was an acceleration of economic development.

The second session of the Eighth Congress of the Chinese Communist party, held in May 1958, was dominated by Liu Shao-chi's report on the work of the central committee. This report reviewed all aspects of party policy, but the emphasis was on developments in economic work.

Liu Shao-chi's report was, in essence, a review and critique of the course of Chinese economic planning policies since mid-1955. It described developments in this period as "U-shaped"--an "upsurge" of socialist transformation leading to an "upsurge" of production in 1956, followed by an "ebb" of "conservatism" in 1957, succeeded by an even greater "upsurge" beginning in autumn 1957. Liu assailed "some comrades" for opposition to the first "upsurge," denied that the "ebb tide" had been necessary, and asserted that there had been opposition to the second "upsurge" and to its transformation into the "great leap forward." Liu's frame of reference is employed in this paper.

The paper examines chronologically the public statements of party leaders over the time span reviewed in Liu's May 1958 report. Particular attention has been paid to those nine members of the CCP politburo who have appeared to play the most important roles in the formulation of economic policies: Mao Tse-tung, Liu Shao-chi, Chou En-lai, Chen Yun, Teng Hsiao-ping, Li Fu-chun, Li Hsien-nien, Tan Chen-lin, and Po I-po.

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SECRET**I. THE FIRST UPSURGE****Mao Incites "Upsurge" in Transformation, July - December 1955**

The Chinese Communists have long advocated the transformation of the nation's scattered, individual peasant economy into a socialist economy, and the similar transformation of the nation's private industry and commerce, but there have been important disagreements within the leadership on the question of the tempo or pace of this transformation.

The first stage of agricultural socialization was "land reform," in which land was taken, usually with violence, from the rich and successful and given to the poor. Liu Shao-chi's stated target for the completion of land reform (i.e., redistribution) by the end of 1952 was reached ahead of schedule. Even before it was finished, the next stage--the establishment of "mutual-aid teams" and simple cooperatives--had already become, according to Po I-po, like a "rising tide." In December 1951 the party central committee drew up draft regulations on mutual aid and cooperation.

In December 1953, with about one half of China's peasant families in mutual-aid teams, the central committee adopted a decision calling for a gradual, four-step progression from land reform, through mutual aid and cooperation, to the full collective. Most Chinese Communist leaders who spoke on the subject approved this step-by-step gradualism; there was quoted some 1943 advice from Mao Tse-tung on "gradual collectivization."

At the September 1954 session of the National People's Congress, Liu Shao-chi, Chou En-lai and Teng Tzu-hui specifically approved the gradual approach. The strongest affirmation of the "soft" line came, curiously, from Liu Shao-chi. In September 1954, Liu went out of his way to attack "enemies" who had declared that the regime was "too compromising," especially those persons who had complained that the agricultural program was going "too slowly." Liu, in language that might later have given him some pain, described the ideas of the militants in rural policy as "sheer nonsense."

In March 1955 the State Council complained that cooperatives were being organized too rapidly and asserted that the pace should be "somewhat decreased." The First Five-Year

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Plan (1953-1957), read to the National People's Congress in July 1955, called for a "step-by-step transformation." Planning chief Li Fu-chun argued that this could not be completed within the course of the plan, but that this "highly arduous and heavy task" would take three such plans. The gradual line was firmly established in mid-1955, both in formal documents and in practice.

In July 1955, only a few days after Li Fu-chun had spoken, Mao Tse-tung personally reversed the soft line on agricultural socialization. He did so in a speech to a conference of regional party secretaries. Mao's speech was not released until October 1955, at which time the assurance of an excellent harvest gave him the confidence to make his position public.

In his July report--as later presented--Mao jeered at "some comrades" as being like "women with bound feet...who cry 'You people are walking too fast, much too fast.'" (The "some comrades" were, on the record, the entire central committee and everyone who had publicly spoken on the tempo of socialization.) Mao observed that "some comrades have been frightened out of their wits" by the number of collectives, and that such caution was a "rightist" error. He criticized those who would be disposed to criticize the "impetuous development" of cooperatives. Mao conceded that the USSR had at one time made a mistake of "impetuosity and adventurism," but he argued: "We must not tolerate timidity...under the cover of this Soviet experience." He insisted that an aggressive program of socialization would not lead to serious trouble with the peasantry.

Following Mao's unpublished remarks, there was a pause of two months for party "discussion." The central committee met in October and "unanimously" adopted a resolution which did not set specific goals for agricultural socialization but encouraged the cadres to rush forward. The resolution rewrote history to place the central committee in the position of having long ago approved the acceleration of agricultural socialization, and it observed solemnly that the politburo's criticism of "rightist opportunism.. is perfectly correct." Chen Po-ta, a longtime spokesman for Mao, gave an "explanation" of the resolution which made it clear that the new campaign did not proceed from the central committee or even from the politburo but from Mao himself.

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Mao's intervention and the central committee declaration which grew out of it led to a spectacular upsurge of the transformation movement. The great majority of the nation's peasant households were swept into cooperatives. The results--60 percent of peasant households in cooperatives by the end of 1955--far exceeded Mao's stated expectations.

In December 1955 Mao raised his estimate, observing that semisocialist cooperation could be basically completed the following year. Commenting shortly thereafter on the new 12-year plan for agricultural development, Mao said the country was in the "high tide of the great socialist revolution." He declared that "this socialist revolution in the main could be completed within about three years"--that is, by 1959. By February he was to decide that the semisocialist transformation would, for the most part, be completed the coming autumn; the higher forms, in the main, in 1958.

The socialization of private industry and commerce ran parallel with the socialization of agriculture. As in agriculture, the planned pace of transformation was gradual, but in practice it worked out far more rapidly.

Peiping's stated intention was to move from private ownership gradually through intermediary stages until complete socialism was achieved. The violent campaign against capitalist "vices" in 1951 and 1952, paralleling the land reform program in agriculture, severely impaired the ability and willingness of the private businessman to resist state encroachment. Retributive taxation was frequently employed. As state-led trade grew in strength it was able to control both sources of supply and markets; private businessmen could do business only on the state's terms. Commercial concerns degenerated into mere agencies of state commercial departments, and all essential agricultural products were subjected to "unified" (i.e., state-controlled) purchase and sale. The next step was direct state interference in the internal affairs of private firms, achieved by investing money in them. The resultant joint state-private enterprises, semisocialist in nature, have been aptly described by Peiping as "governed, used, and managed" by the state.

Premier Chou En-lai told the National People's Congress in September 1954 that from 1949 through 1952, China had

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"emphatically" pushed the establishment of the socialist and various types of cooperative economy, making "initial adjustments between state and private industry and commerce." Chou said that from 1953 on, the country embarked on a program of gradual socialist transformation of capitalist industry and commerce. By 1954, Chou reported, state-operated commerce was in a position to handle all or the major part of the principal commodities needed for the national welfare and had "in its charge" all foreign goods.

In July 1955, just prior to Mao's initiation of the "high tide" in socialization, Li Fu-chun quoted the constitution to the effect that the "policy of the state toward capitalist industry and commerce is to use, restrict, and transform them." Li noted that China had a "large and complicated" private industry and commerce and that the government therefore had to adopt "proper steps and flexible forms" in its transformation. The advance would be "systematic and steady," Li said; he predicted that by 1957 "about half of the originally existing private business enterprises would be incorporated into various forms of the state-capitalist economy, gradually replacing capitalist ownership with ownership by the whole people."

The suddenness of the "upsurge" in socialist transformation of private industry and commerce in late 1955 and early 1956 was even more marked than in the case of agriculture. In December 1955, Mao commented on the success scored in socialization of agriculture. He said this success "notifies us that efforts should be made to advance the time of completion of the socialist transformation of China's capitalist industry and commerce." Chen Yun later described the process which followed Mao's remarks. He said that the original government plan was for the transformation to be carried out "by stages and by different trades." The January "upsurge" led the government to change this plan and approve the transformation by "whole trades" and "all at once."

Mao's action in stimulating the socialist "upsurge" in the months after October 1955 had a profound effect on the subsequent Chinese economic programs. As Mao observed in commenting on the "upsurge" in December 1955, it "notifies us that measures regarding the scale and tempo of China's industrialization and the scale and tempo of science, culture, education, and public health should no longer be taken in the manner originally planned. These should be appropriately

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expanded and accelerated." Premier Chou En-lai agreed, remarking that the scope and speed of socialist transformation had created conditions for a "great upsurge in the national economy." This judgment, as might be expected, found general agreement among the other leaders.

By the time the National People's Congress met in June 1956, the socialist transformation movement in agriculture was to show spectacular progress. Whereas in June 1955 some 85 percent of the peasants had been farming individually, by June 1956 some 91.7 percent of the peasant households were in all types of cooperatives, 62.6 percent in collectives. In industry and commerce, there was a substantial shift of industrial output from the private sector of the economy to the joint state-private sector.

Mao Incites "Upsurge" in Production, Early 1956

In December 1955, five months after his personal intervention, Mao Tse-tung was able to declare that the question of the socialist transformation of agriculture was already "settled," as was the question of transforming industry and commerce. The problem was now one of "rightist conservatism" in production and construction. In the same fashion as the cadres had underestimated peasant "enthusiasm" for socialization, there was--and remained--an "underestimation of the situation" with regard to agricultural production, industrial production of all kinds, capital construction, and other spheres of activity. "The problem today," said Mao, is that "rightist conservatism is still doing mischief in many fields," preventing the regime from attaining goals that it could otherwise reach. In other words, "many people consider impossible things which could be done if they exerted themselves."

Liu said in May 1958 that Mao had "subsequently" summed up his position of December 1955 in the slogan of building socialism by achieving "greater, faster, better, and more economical results" simultaneously. This slogan was publicly employed first by others, but there is no doubt that it accurately represents Mao's thinking at the time.

The People's Daily New Year's Day editorial of 1956 clearly reflected Mao's thinking. It argued that agricultural socialization was stimulating industrial development,

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and that the First Five-Year Plan (1953-57) might be fulfilled as much as a year ahead of schedule. Industrial production was to be based on the principles of quality, quantity, speed, soundness, and economy; conservatism was to be combated.

In mid-January 1956, other CCP leaders, led by Chou En-lai, began to associate themselves with Mao's opposition to "rightist conservatism." Chou specified that the central committee had decided to make "opposition to rightist conservatism" the theme of the party's forthcoming Eighth Congress. In the same period there were predictions of great increases in industrial and agricultural production and the scale of capital construction.

In late January, Mao called a meeting of the Supreme State Conference to "discuss" the central committee's new draft plan for agricultural development in the next 12 years. The plan did not give specific goals, but, according to the party spokesman on the draft, the program--if realized--would mean an increase in agricultural production of 150 percent. This objective appeared to be unrealistic, even if the regime were to increase considerably its investment in agriculture. The program was explained to the conference not by Teng Tzu-hui, director of the party's rural work department, but by Liao Lu-yen, deputy director of that department and concurrently minister of agriculture. This was the second time in four months that Teng Tzu-hui had been passed over in the field in which he had been the party's principal spokesman.

Further confirmation of Mao's high confidence in his assessment came on 2 February in a speech by Chen Po-ta on agricultural socialization. Chen, who had been the spokesman for Mao's line the previous October, said that grain output could be doubled in 12 years and that China could feed twice its present population. Chen denounced "some people" who believe in the "preposterous theory" of Malthus. He declared roundly that "there is no sign of overpopulation in China," and that the "food question" would be solved through socialization of the economy--the orthodox Marxist position.

Early in February the All-China Federation of Trade Unions called for an increase in industrial productivity, and soon thereafter it announced a nationwide "emulation" campaign.

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Beginning in February with a conference on capital construction and continuing for some months, the regime convened national conferences of workers in all important sectors of the economy in order to "discuss" means of overfulfilling the First Five-Year Plan and of increasing production. In March the Communist party central committee issued a notice to all party units to strengthen their leadership of the advanced production movement and to oppose rightist conservatism.

It was at this point in the first great "upsurge" that Mao, according to Liu Shao-chi in May 1958, made his still-unpublished speech on the "Ten Relationships" to an enlarged meeting of the Communist party politburo. According to Liu, Mao in this April 1956 speech "called the party's attention to the correct handling of the relationships (1) between heavy and light industries and between industry and agriculture; (2) between coastal industries and inland industries; (3) between economic construction and national defense; (4) between the state, the collective, and the individual; (5) between the central and local authorities; (6) between Han people and the national minorities; (7) between party and nonparty people; (8) between revolution and counterrevolution; (9) between right and wrong inside and outside the party; and (10) international relations."

In this report, according to Liu, Mao "outlined a series of important policies on amplification of the general line of building socialism." Under the first and fifth relationship, Mao set forth the "principle of developing industry and agriculture simultaneously while giving priority to heavy industry, and the principle of combining centralization of power with decentralization." The principles for the second and third relationships called for "making fuller use of the industrial bases in the coastal areas and amassing ample funds for economic construction." Liu was less specific on the contents of Mao's remarks on the fourth relationship, although he noted that Mao had discussed the "correct handling" of the relationship "between the rates of consumption and accumulation" in addition to those between the state, collective and individual. The remaining five "relationships" concerned the correct handling of "contradictions among the people--a question which was later elaborated" (in April 1957).

In his retrospective view, Liu ascribed the "leap forward" of 1956 to these "guiding lines and policies" laid down by Mao in April. It seems likely, however, that the "leap" was

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initiated by Mao's earlier speeches and articles, and that the April 1956 speech was concerned primarily with outlining problems which remained to be solved.

Possibly the first reflection of Mao's April speech occurred in Li Fu-chun's address of 30 April 1956 to a congress of "outstanding workers of all trades." In addition to the usual statements of high satisfaction with progress made in 1956, Li noted a need to pay attention to light industry as well as heavy industry, and to existing as well as new industrial bases (Mao's relationships, numbers 1 and 2).

In much the same fashion as the "guarantee of increased incomes" to the peasants served as the "carrot" of agricultural collectivization, so a proposal in April 1956 for wage increases served as the incentive to the workers for increased productivity. At a national conference of outstanding workers and professional people on 3 May, Po I-po emphasized the importance of raising wages, improving worker welfare, and combining "patriotic labor enthusiasm" of the workers with their "practical material interests." Po criticized "certain leaders of enterprises who concentrate on accumulation" at the expense of the workers. Po said: "If one is truly concerned about the collective interests of the nation, about accumulation of more capital for socialist construction and about initiating more socialist undertakings, then he must be more concerned about the personal interests of the broad masses of workers" (Relationship number 4). Li Hsien-nien addressed the same audience on 5 May, and implied that the improprieties "of leading organs" on the wage question had been remedied by the joint directive of the central committee and State Council raising wages (number 4 again). On 7 May, Teng Tzu-hui after giving Mao his due for stimulating agricultural socialization, reiterated the heretofore muted concern for the masses in agriculture by stressing that co-op members must be guaranteed steady annual increases in income after socialization.

Increasing Emphasis on Problems, Summer 1956

The National People's Congress meeting in June 1956 heard further follow-ups to Mao's April statements. The general atmosphere of the congress remained one of confidence, support of the drive against "rightist conservatism," and

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pride in the progress of the 1956 plan. All of those who spoke at the congress reflected this spirit. However, substantially increased emphasis was placed on emerging problems and on the necessity of providing more "carrots" to the populace to "consolidate" the gains made during the "productive upsurge."

Minister of Agriculture Liao Lu-yen, the chief exponent of the "hard-line" 12-year program for agriculture, spoke to the congress on 15 June. Liao said the central point for "consolidation and development" of the cooperatives was "correct handling of the relationship" between the individual and collective--overcoming the tendency to lay one-sided stress on collective and national interests while overlooking the interests of the individual (Mao's relationship number 4). In one of the kind of question-and-answer sessions Stalin was prone to conduct with himself on public platforms, Liao asked: "Why is there collective and not state ownership of the land in the higher stage collectives? Because collective land ownership by cooperatives is easily acceptable to the masses of peasants...while introduction of state ownership of the land might give rise to misunderstanding on the part of the peasants." Liao added: "The chief concern of the co-op members is to increase their own income after joining co-ops, and it is on this account that they give their support to socialism." Liao's highly practical view of the situation appeared somewhat less optimistic about the "enthusiasm" of the peasants than did the views of six months earlier.

On 19 June, the head of the central committee's Rural Work Department, Teng Tzu-hui, who had not been very enthusiastic about the acceleration of agricultural socialization in 1955, took an even more conservative view of the situation. He mentioned the benefits of transformation favorably, but the emphasis in his speech was on the errors and shortcomings of agricultural work. As the result of the speed-up of "socialization," too much time was being spent on food-crop cultivation, thus cutting down on time spent on industrial crops and sideline production. Furthermore, valuations on land and property collectivized were too low and members of co-ops had been "forced" to invest in them; and draft animals were dying because co-ops could not or did not give them the care provided by their former owners. For Teng, "consolidation" and "insurance" of increased income to the members

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of cooperatives was the important question. Teng recommended that if a co-op after harvest found that it could not distribute increased income to its members, that co-op should cut back the amount of funds set aside for public funds (accumulation) and distribute that as income.

Li Hsien-nien on 15 June reported on the final 1955 and draft 1956 budgets. Li, in a possible reflection of Mao's first "relationship," noted that there had been a "remarkable" increase in heavy industry expenditures and assured his hearers that increases for light industry, agriculture, and forestry would also be implemented. Li expressed concern that the burden of the peasant had become too heavy because of too low a procurement price for agricultural products. Like Liao and Teng, Li stressed the importance of "correct" distribution of income in the cooperatives while "insuring that not too much" of the cooperative income be plowed back into productive assets and expenditures. He criticized "some departments" for trying to reach the 12-year goals for agriculture in "two or three years" and attacked the predominance of quantity and speed of production in industry at the expense of quality.

The concern with "burdens" on the populace and the relationship between heavy and light industries conveyed by Li Hsien-nien was increased by Li Fu-chun's address three days later. Li Fu-chun also expressed satisfaction with the "upsurge" in production taking place, noting that the First Five-Year Plan for agriculture could probably be fulfilled a year early, provided no natural calamities occurred. Like the other speakers, Li also noted some "deviations" that had accompanied the "upsurge"--particularly that of "emphasizing production at the expense of worker and employee welfare." He then proceeded to state his "own views" on three questions of national economy.

Li's three topics coincided with three of the relationships Mao is purported to have dealt with in his April speech. Li dealt first with the interrelationship of heavy industry, light industry, and agriculture (Mao's relationship number 1) and said that the state had decided to increase investment in light industry while "simultaneously increasing" heavy construction. The ratio of heavy to light industry would then be changed from approximately 8:1 to 7:1. This was

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primarily the result of the increase of raw materials for light industry available from the excellent harvest of 1955.

Li's second question concerned the relationship between coastal and inland areas (Mao's relationship number 2). Li said that henceforth more attention would be given to utilizing to the full the existing industrial facilities, which for the most part were located on the coast. The third of Li's "own views" was on the question of accumulation versus consumption (according to Liu, this was part of Mao's fourth relationship). Li cited figures which justified the proposed wage increase then under consideration and stated that this measure was correct, since increases in labor productivity during the past year had been higher than increases in wages.

Po I-po, head of the new National Economic Commission (created in the government reorganization of May 1956), on 21 June gave the most specific statement of the problems which beset the regime. As had all the others, Po lauded the achievements of the "upsurge" and then proceeded to deal with certain shortcomings: "...in the course of socialist upsurge, the application of rationalization proposals, the creation of new records, the adoption of advanced experiences, and the elevation of technical and economic production levels on the part of many enterprises have resulted in the unbalancing of production."

Po cited statistics from the State Statistical Bureau showing that one fifth of the construction projects scheduled to start in April were held up by shortages of supplies and equipment. He noted that the situation had become "even more acute" in May. This, said Po, had led to the State Council's action in cutting down the original 1956 plan for capital construction investment from 14.7 to 14 billion yuan. Po then gave a scale of conditions under which work on capital construction could be modified, halted, or alternative construction substituted with minimal loss to the state. He also endorsed the idea of additional emphasis on development of coastal industry "if such projects may result in good returns with comparatively small investments." Looking forward to the 1957 plan, Po called for better planning formulation according to the "law of the planned and proportionate development of our national economy." Reflecting a position taken by People's Daily a day earlier, Po observed: "In

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combating right conservative tendencies,....we have made the mistake of being impetuous and hasty in our work."

Chen Yun's chief contribution to the National People's Congress (NPC) sessions were contained in two speeches of 18 and 21 June; both were devoted to the problems of private industry and commerce "too rapidly" transformed. By June it was apparent that production of consumer goods had been inhibited by the over-all changes, that the quality of goods offered on the market had dropped, that time-tested distribution patterns had been upset, and that sales and state revenue had declined. Chen's presentation was almost entirely a justification of a decision taken by the State Council in February to suspend the progress of transformation for six months. Chen was careful to point out that after the six-month suspension expired, the former breakneck speed of transformation would not be renewed: "There are still many problems which we must solve, one by one and unhurriedly."

Among these problems, Chen cited that of "artificial severance of the former relationships of supply and marketing between industry and commerce." He attacked the "blind tendency" toward overamalgamation of the smaller private enterprises, and he condemned the "truculent, negative" attitude of "some people" who did not wish to accept the "legacy" of managerial and technical skills among the private industrialists and businessmen.

Chen addressed the NPC again on 21 June to "answer the criticisms" brought forward by the deputies. He redescribed in much the same terms as in his first speech the problems which had arisen as the result of transformation, and he proposed an eight-point remedial system which amounted to a "free market within the framework of the planned economy." Although Chen invariably referred to the "successful" transformation of industry and commerce, he was concerned primarily with the problems of "too rapid" transformation.

Chou En-lai summed up the work done at the sessions of the National People's Congress in a speech on 30 June. His view of the progress of 1956 was much less concerned with the problems arising from the "upsurge" than were the views of those leaders whose primary responsibilities were in

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economic work. Nevertheless, one problem was that "the division of powers between the central and local authorities as provided for in the Constitution now required more concrete definition." This was necessary, said Chou, because productive relations had undergone fundamental changes and "productive forces" now would grow still faster as the result of the "victory of socialist transformation."

Chou pointed out that if all power remained in the hands of the central authorities, local authorities would be "held back;" it would greatly improve efficiency and "unleash creative energies if the local authorities were given defined powers of handling things." Chou stated that a division of power between central and local authorities would be "embodied in the various state systems" in the future. Particular division of power would be defined "in matters of planning, finance, enterprises, departments, capital construction, political and legal affairs." Chou revealed that a preliminary draft system for such division of powers between central and local authorities had already been drawn up and referred to all provinces and cities for discussion, and he estimated that an "over-all plan" could be made in 1956 and put into provisional practice in 1957.

Chou's statement on decentralization, number five of Mao's "Ten Relationships," was curious in that it implied that the regime had already initiated the process of making a basic change in the administrative structure of China, and, unlike Li Fu-chun's "own views" on three of the other relationships mentioned by Mao, was not qualified as an individual opinion.

As of late June 1956 the Peiping regime was still defining its internal enemy as "rightist conservatism" and remained committed to an extremely ambitious rate of basic construction and industrial production. Between June and the opening of the Eighth Party Congress in September 1956, it became obvious that the regime's plans had undergone two separate and severe blows.

The initial effects of the first blow had been reflected in Po I-po's statement to the NPC that the State Council had already cut back the capital construction plan from 14.7 to 14 billion yuan and that projects started in April and May had been held up by shortages of equipment and construction

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supplies. However, while Po--and to a lesser extent Li Hsien-nien, Chen Yun, and Li Fu-chun--had pointed to possible strains in the economy as the result of the "upsurge," no leading figure had suggested that their ambitious planning might have exceeded the regime's capacity to produce.

The second, and more severe, blow came from weather conditions. Heavy rains in late June and July caused waterlogging and flooding in North and South China. In early August, Typhoon Wanda swung into China over Chekiang and up into Hopei, leaving very severe damage in a densely populated and rich agricultural area. The northeast was also suffering seriously from flooding, while parts of southern China were suffering from drought. It was apparent that the regime could no longer expect to reach its goals in agricultural production, and the already existent problems created in the wake of the "upsurge" in production became more intense.

Chinese Communist party leaders had little to say in this period, which was one of preparation for the party's Eighth Congress in September. In early August, however, when natural disasters were already forcing a reassessment of the regime's plans, People's Daily admitted that some of the problems cited in speeches to the NPC in June had become serious.

An editorial on 9 August stated that there was an acute scarcity of steel products, timber, and cement, and that even raw steel was in short supply. The editorial noted that these difficulties could not be attributed to any failure to increase production, as production of these materials had in fact increased. The reason for the shortages was simply that the regime had planned (and undertaken) to build more than even the increased supply of materials could permit. The editorial drew the conclusion--the first time that this formulation was observed since Mao's attack on conservatism in 1955--that in addition to avoiding the error of "rightist conservatism" one must also avoid "leftist adventurism."

People's Daily went on to state that allocations of materials for 1956 had been almost completed, and that, while supplies were far below the demand of some departments, only minor adjustments could be made. The editorial finally admitted that some plans in basic construction were too large, could not be completed, and must be cut. Po I-po had noted

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in June that the State Council had already made a cut of about 5 percent; the editorial indicated that the total cut would now be about 10 percent.

It should be noted at this point that the "upsurge" of 1956 was a real one, despite the emphasis on problems in the latter stages of the "upsurge." The regime obtained increases of 32 percent in industrial production, 62 percent in capital construction, and, despite natural calamities, 4.9 percent in agricultural output.

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SECRET**II. THE EBB TIDE****Eighth Congress Modifies Position, September 1956**

During the Chinese Communist party's Eighth Congress, held in September 1956, the party leaders officially abandoned the emphasis of early 1956 on the need to combat "rightist conservatism." Reflecting instead the position taken by People's Daily in August when troubles were mounting, the party in September affirmed its determination to steer a course between "rightist conservatism and leftist adventurism." While the program set forth by the congress remained a very ambitious one, the party's position was more nearly moderate than at any time since July 1955, immediately prior to Mao's intervention to speed the tempo of socialization of agriculture.

Mao played a small role at the Eighth Congress, making only a brief opening speech. The speech did not touch on economic questions, and Mao may have wished to avoid associating himself personally with a line which was in effect a retreat from one of his own. However, Mao almost certainly had approved, prior to the congress, the general position which was to be taken in the various reports and in the resolution of the Congress.

Liu Shao-chi--whose four-hour political report dominated the proceedings of the congress--reaffirmed the party's "general line" of gradual accomplishment of socialist industrialization and transformation. Noting the central committee's 1953 estimate that these tasks would be "fundamentally" fulfilled in a period of three five-year plans, Liu said that industrialization might take a little longer than that, but that transformation would be achieved much sooner, owing in large part to the 1955 decision by the "central committee and Chairman Mao." Asserting that the regime would surpass the goals of the First Five-Year Plan for industrial and agricultural production, Liu avoided mentioning that his (and all other) references were to the original goals stated in 1955 and not to the subsequent upward revisions.

Liu went on to state the goals of the Second Five-Year Plan in general terms and to associate himself with certain specific goals presented later in the congress for the proposed

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Second Five-Year Plan. He called for greater attention to light industry, although--in contrast to other speakers--he said it would be "wrong" to alter the current rate of development of heavy industry to that end. He said that grain and cotton would remain most important in agriculture, but that the regime must ensure increases in yields of other industrial crops and the output of animal husbandry and subsidiary occupations. In commerce, as Chen Yun had emphasized in June, there must be an improvement in the present system of market control, and a limited free market.

Liu also reviewed the history of the development of state power since 1949 and noted that in order to "consolidate the unity" of the country, the party had opposed "departmentalism" and concentrated authority in the hands of the central government. Endorsing Chou En-lai's June statement on the proposal for division of power between central and local authorities, Liu noted that the central authorities now had too much power, thus "slighting the affairs of local areas." Insisting that it was "absolutely necessary" for the central authority to devolve some of its administrative powers and functions to local authorities, Liu specifically cited "agriculture, small and medium industries, local transport, local commerce, primary and secondary education, local health services, local finance" as areas where the central authority should put forward only general principles and policies, while the "actual work" should be referred to the local authorities to make arrangements for carrying it out.

Liu described the Second Five-Year Plan, which his report outlined, as standing between "conservatism" and "adventurism."

Chou En-lai gave the congress a more detailed presentation of the comparatively realistic Second Five-Year Plan. By 1962, according to the plan, industrial production would increase 100 percent over the original goal for 1957 (or about 75 percent over the expected 1957 achievement), while agricultural output would rise 35 percent. Moreover, capital goods by 1962 would account for 50 percent of the total value of industrial production as compared with 38 or 40 percent in 1957. The plan set forth a number of specific targets for 1962 production, such as 10,500,000 tons to 12,000,000 tons of steel, 190,000,000 tons to 210,000,000 tons of coal, and 250,000,000 tons of grain. Other proposals related to transport, commerce, technical and scientific development, relations between central and local governments,

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wages and income, and so on. The plan concluded with a warning, directed to those involved in planning, against both "adventurism" and "conservatism."

Chou's remarks on the plan were chiefly of interest for their light on mistakes and difficulties which had led to a modification of the grandiose schemes suggested in early 1956. Firstly, Chou said, it was necessary to set a "reasonable rate" for economic growth, with "comparatively realistic" long-range targets which could be adjusted annually. He noted that the scale of capital construction in 1955 had been too small, but in 1956 it had been set too high. This development, together with the "overzealousness" of some branches of the economy, had strained national finances and led to serious shortages of construction materials. Secondly, Chou said, it was necessary to improve coordination of key projects with "over-all arrangements". Mistakes in this sector of planning had led to a waste of manpower and resources in past years, and the same tendency of "doing everything at once, taking no account of actual conditions, and recklessly running ahead" had appeared again in early 1956 after publication of the draft program for agricultural development. Thirdly, Chou said, it was necessary to maintain stockpiles of essential materials in order to meet possible crop failures and contingencies in industrial production. The regime had foolishly exported certain surpluses in 1955, and thus in 1956 it was caught short. It was necessary, Chou said, to improve financial planning, with the aim of ensuring economic development by setting targets (for accumulation) high enough to carry out the plan but not so high as to "put a great strain on our efforts". Chou added that many of the "shortcomings and mistakes" in economic work derived from "subjectivism and bureaucracy" at higher levels.

Chou cautioned against overemphasis on industrial development in the interior and "slighting" of development of the coastal areas. He also indicated that a fairly basic disagreement existed as to whether the construction of "large enterprises is comparatively more reasonable than that of medium and small enterprises and therefore should be carried out on a broader scale." This, Chou said, had not yet been resolved by the government--apparently because the industrial ministries differed as to how beneficial the effects of such a policy would be to their respective operations. As had Liu,

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Chou endorsed the need for a "limited free market" and, echoing Chen Yun's June statement, warned against overamalgamation of small factories and handicraft cooperatives into larger units lest small factory production be "crippled." Chou reiterated that the "victory" of socialist transformation made possible a further division of central and local authority, thus "facilitating the full development of local positiveness."

Chou also used his discussion of the Second Five-Year Plan as the framework for outlining the "main purpose of the socialist industrialization" of China. Chou's description was substantially more concrete than the rather short-range and specific tasks contained in the First Five-Year Plan. The "main purpose," he said, "is to build up, in the main, a comprehensive industrial system within a period of approximately three five-year plans." Chou stated that such a system would be able to satisfy the principal producer--and consumer--goods needs of the nation in the future. He attacked two "wrong" views on the virtues of establishing a "comprehensive industrial system." One was the "parasitic view" that complete reliance could be placed on "international assistance" a view which was wrong because "a populous country like ours, which has great resources and great demands...must quickly alter" its backwardness.

The other "wrong" view according to Chou--the "isolationist view" of socialist construction--was fallacious because, "needless to say, the establishment of a comprehensive industrial system in our country requires assistance from the Soviet Union and the people's democracies for a long time to come." Chou's comments suggested that the worse of the two evils was felt to lie with the advocates of the "parasitic" view and that the party had decided to establish an economy as self-sufficient as possible.

Lesser reports on economic policies were given by Chen Yun, Li Fu-chun, Li Hsien-nien, Po I-po, Teng Tzu-hui and Chia To-fu.

Chen Yun's report, consistent with his speeches earlier in 1956, dealt with the problems of transformation of industry and commerce. Chen's primary concern, endorsed in Liu Shao-chi's report and formalized in the Second Five-Year Plan proposals, was with the decision to permit a limited "free market." The effect of the decision was to introduce competition between various forms of state and cooperative organizations in a part of the economy and to encourage individual private enterprise

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in some rural handicrafts. Capital goods, most staple consumer goods, and the principal agricultural products remained outside the new relaxation.

This system, in Chen's view, would remedy both the drop in quality of production (brought about by the "upsurge" of early 1956) and the drop in sideline production (brought about by agricultural socialization). Chen's presentation was replete with suggestions which softened the impact of "socialization": factories were to be encouraged to buy, sell, and order products, a "very large" sector of the individual handicraft producers "must" engage in individual production, past merging of numerous small factories into single large units was not conducive to production, and in those cases where "cooperativized" peasants occupied large tracts of land they should be allowed to work them for sideline production.

Chen insisted that there was no longer a need for regulations on "restricting speculation" and that consumer goods factories should be sensitive to "supply and demand." It is not known whether Chen was already under criticism or merely anticipating criticism for these comparatively heretical if practical suggestions. He did point out, perhaps defensively, that the state remained "the point of reference" for these suggestions, and that in regard to the "free market," while "planned production is the mainstay of the state, free production is auxiliary to the state and definitely not a capitalist market."

Li Fu-chun's report dealt with national planning and led off with the sad story of the perils of central planning in China and a reminder to his audience that plans were essentially "estimates." Li strongly endorsed the decision of May 1956 to institute a second planning organ, the National Economic Commission, to handle annual plans. This, said Li, would strengthen the work of achieving "synthesized economic balances" and aid in the regime's attempts to "grasp the laws of systematic proportionate development."

Li noted that among the faults of the planners were insufficient study, inaccuracy, lack of adaptability, and poor judgment. He described the coordination work of his own State Planning Commission as "grossly inadequate" and cited two instances where the planners had been at fault. Firstly, when

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agricultural production fell behind consumption and state construction demands (in the summer of 1956), "we were unable to put forward an effective solution," and secondly, the planners had "paid inadequate attention to full rational utilization of coastal industries." Li concluded by philosophically pointing out that "in economic life, balance is relative...our duty is to take positive progressive measures to continually detect and eliminate weak links, rectify new imbalances, and insure a step-by-step advance of the economy as a whole."

Li Hsien-nien devoted most of his report to commodity price policies and criticized shortcomings in the commercial and "price" departments, noting that the lack of "price competition" had made state commercial price policy "somewhat unrealistic." He advocated raising procurement prices for agricultural and subsidiary production, estimating that such raises would result in a revenue reduction for the state of from 1.1 to 2 billion yuan and would enlarge the rural market for consumer goods. Li also concurred with Li Fu-chun's "own view" of June 1956 that light industrial investment should be increased and heavy industrial investment "revised somewhat."

Li concluded that the state had the choice of stimulating production and reducing the prices of industrial goods or of raising wages and procurement prices, and that the latter method was better "since it is able to stimulate the production enthusiasm of the workers directly."

The burden of Po I-po's report concerned the ratio between accumulation and consumption in national income. Po noted that the accumulation rate had risen to almost 23 percent in 1956, that it should henceforth be "more or less" 20 percent, and that the regime should be "especially cautious" about increasing it. In addition, Po gave two other percentage ratios that he thought were appropriate. The level of the annual budget, he said, should be pegged at 30 percent of national income, since everytime "in the past" it had been higher for purposes of more construction, there had been underfulfillment and "damages to industrialization and coordination of economic life." In a possible reference to his own removal as minister of finance in 1953, Po noted that in the past when "any of us with the best intentions" had wanted to raise the percentage, the "central committee would promptly correct him."

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Capital construction investment, Po went on, should be "about 40 percent" of the annual budget. He was perhaps giving the guidelines for the future operations of his National Economic Commission in noting that when the "speed-up of capital construction cannot keep up with the rate of accumulation," the error is "rightist conservatism," and that when "the speed of capital construction exceeds the rate of accumulation," the error is of "leftist adventurism." Po seemed to regard the latter error as the lesser of two evils, paraphrasing Mao's 1942 dictum that the "conservative idea of solving financial difficulties by cutting construction and expenditures instead of developing production and looking for new financial resources cannot solve any problem." Po concluded by considering it "possible" to raise these three percentages.

Teng Tzu-hui spoke to the Eighth Congress on the situation in agriculture and manifested a consistent concern with "consolidating" and "maintaining" the gains made in agriculture. More so than in his June speech, Teng stressed that the pursuit of "adventurist" policies in agriculture would jeopardize the "worker-peasant alliance," which in turn would threaten all "socialist" progress.

Noting that agricultural cooperativization had been "basically realized," Teng heavily underlined the point that the completion of the Chinese revolution did not mean that the peasantry--the "main force of the revolution"--now would take a subordinate or secondary position in the "present task of socialist construction." Teng drew a parallel between the Communist party's step-by-step policies toward mobilization of the peasantry for land reform after 1949 and its "gradual" policy in the drive for agricultural socialization from 1952 to 1956. Emphasizing the central importance of the agricultural sector for all other sectors of the Chinese economy in citing "the historical experiences" gained by the Communist party in land reform and agricultural socialization, Teng then attacked an "erroneous attitude" adopted by "some comrades" who thought "that since the peasants have become collective peasants under socialism, the question of the worker-peasant alliance has lost its importance and urgency and the peasants' welfare is no longer their concern...The adoption of such an attitude is extremely dangerous."

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Teng, who had failed to support the speed-up in agricultural socialization in 1955, admitted being guilty of following a "rightist conservative tendency" in that he and other "rural worker comrades" had underestimated "the enthusiasm" of poor and lower middle peasants and had not "dared" to rely upon them in the march toward socialization. However, Teng put up an oblique defense of his attitude in noting the key uses of the middle peasants.

Teng argued that if "we had only depended on the poor peasants and had not united with the middle peasants and if we had not strictly protected the interests of the middle peasants" during land reform and "if we had not the patience to wait for the middle peasants to gain their consciousness" during socialization, "our party and the poor peasants would have placed themselves in an isolated position and the consolidation of the worker-peasant alliance would not have been formed." He stated that during "the new historical period" the "step-by-step modernization of agriculture along with industrial development is the new economic basis for the worker-peasant alliance," and in a logical extension of his argument he insisted that party concern for the interests of the peasantry in the new period would determine the success of "socialist construction."

Teng then pointed out that the underdeveloped state of industry ruled out the use of large quantities of farm machinery and chemical fertilizer at the present time and, as had Liu Shao-chi and Chou En-lai in their speeches, stated that present agricultural policy was to increase the "frequency of cultivation on the existing farmland and raise the output per unit of acreage." Teng endorsed the need, noted by Li Hsien-nien, for readjustments in procurement prices in order to stimulate production.

Teng foresaw that state investment in agriculture would remain limited and said that "a certain amount" of accumulation of funds must be obtained by the peasantry themselves. However, he said, "if the fund accumulated is too great, is too hastily accumulated, and makes the peasants' living standard fall behind production, fail to increase year by year or even drop, there will be dissatisfaction among the peasantry...and the successful advance of the state's socialist construction will be hindered." "Correct handling" of this was, for Teng, part of maintaining a "correct proportion between state accumulation of funds and personal consumption." Therefore the current

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policy of the cooperatives in distributing income--"holding less and giving more"--was correct.

Teng concluded by exhorting the party to realize that although the peasants "have joined the cooperatives, it is impossible to change completely their original viewpoints and traditional habits in a short period of time." Teng was of the opinion that ideological education was necessary not only for the peasants, but also for the cadres and party members.

Teng's entire speech reflected the increased concern being voiced by the party at that time for protecting the benefits of the peasantry and against cadre "commandism" and "leftist adventurist" tendencies. While Teng did admit his error of "conservatism" on rapid socialization, it is apparent, on the basis of his defense and the almost complete absence of warning against "rightist conservatism" in his speech, that he remained convinced of the virtues of his comparatively cautious approach to agricultural policy.

One of the less publicized speeches given in the process of the Eighth Congress was made by the director of the Fourth Staff Office (light industry) of the State Council, Chia To-fu. Chia noted with approval that a higher proportion of investment would go into light industry during the Second Five-Year Plan. This was in line with the positions of Li Fu-chun and Li Hsien-nien, but it ran counter to Liu Shao-chi's opinion expressed earlier to the same audience. More importantly, Chia provided some connecting links between the proposed decentralization policy and the policy of full utilization of coastal industry suggested in June 1956.

Chia began by noting that almost all light industry was located on the coast and that "it was wrong to think that over-concentration of industry in coastal areas could be remedied by such steps as 'restricting production' or 'moving factories inland,'" which had apparently occurred in the past. Full exploitation of coastal industries, he said, would provide the funds for inland construction. Further, as far as the building of new light industry was concerned, "apart from a few big factories, considerable attention should be paid to building medium and small factories." Chia also recommended that "wherever possible, local authorities should be encouraged to accept responsibility for building light industrial plants...In addition,

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existing (light industrial) enterprises that are more suited to local than to central management should gradually be transferred to the local authorities."

While restricted to the context of light industry, Chia's comments are precursors of the policies that are basic to the present "leap forward" movement. The implication of Chia's remarks was not only that there was unexploited production capacity in existing coastal industry but there was also a productive potential on local levels which could be utilized if small- and medium-size factories were built and if the primary responsibility for managing some central government enterprises were transferred to local authority. Chia's projection of unused production potentials on the local levels of the Chinese economy gave a good indication of the depth of reappraisal of economic policy that had been going on since April.

Self-satisfaction and confidence in the Communist party's achievements, generally marked the Eighth Congress. It is not necessary to deny the real achievements of the regime in order to conclude, nevertheless, that the "consolidation" or "breathing spell," the beginning of which was probably marked by Mao's "Ten Relationships" speech in April, continued through the Eighth Congress.

Although production targets (in ranges) for 1962 in the proposed Second Five-Year Plan were announced at the Congress, absolute figures on such key subjects as capital construction investment and projections of revenue and expenditures were not given. It follows from this that these either had not yet been decided upon or were so tentative as not to warrant announcement. The plan outlined at the congress labored under a disadvantage which did not affect the First Five-Year Plan, in that it had not been under way for two and one-half years prior to public announcement. In addition, the over-all optimism of sessions of the congress tended to obscure the fact that the regime itself referred to the Second Five-Year Plan not as "the plan" but as the "plan proposals."

Thus it was possible for Liu Shao-chi to state that any change in the rate of development of heavy industry would be "wrong", while Li Fu-chun, Li Hsien-nien and Chia Tofu could imply the opposite. Similarly, Po I-po could express doubt that the solution of financial difficulties lay in cutting back on expenditures, while the Minister of Finance Li Hsien-nien viewed a revenue reduction of 1 to 2 billion yuan with little alarm.

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Chou En-lai stated that a fairly basic disagreement existed between the various ministries as to the virtues of large-scale plant construction and small-scale plant construction, a disagreement which the government had not resolved. Chia To-fu, in his government position as supervisor of light industrial organs, argued that, so far as light industrial production was concerned, small plant construction had some merit. This suggested that the other parties to the policy dispute mentioned by Chou were the administrators of heavy industrial enterprises.

Teng Tzu-hui's rather strong statement of the virtues of a cautious approach to agricultural policy seemed to indicate that a fairly wide disagreement on agricultural policies existed within the leadership. By marshalling the facts of the dependence of future industrial progress on agricultural production and by raising the spectre of damages to the "worker-peasant alliance" and resultant decreases in that production if "adventurist" policies were followed, Teng was in effect denying the future usefulness of such policies as the speed-up of agricultural socialization in 1955. In spite of his position as the senior agricultural specialist in the party, it appears doubtful he would (or could) have taken that line if the period of reappraisal inaugurated by Mao in April were not continuing.

The Eighth Congress brought into the party politburo three of the four ranking economic specialists below Chen Yun, a politburo member for many years. Li Fu-chun and Li Hsien-nien, probably the two most important of the four as long-range planner and finance chief, were named full members. Po I-po, the annual planner, was named an alternate (nonvoting) member. Teng Tzu-hui was not named to either the politburo or the new secretariat. If, as seems probable, the reason for his lack of promotion lay in his leadership of the "rightist conservative" group opposed to Mao in late 1955, his speech at the Eighth Congress was not calculated to improve his position.

"Readjustment" and "Retrenchment," late 1956

Six weeks after the close of the Eighth Congress, the Communist party central committee held a plenary session from 10 to 15 November. The complete proceedings of the meeting were never released, but the communiqué of the session noted that three main questions had been taken up. Liu Shao-chi reported on the "present situation," apparently restricting his remarks to the international scene; Chou En-lai gave a report on the forthcoming

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1957 plan and the "ceiling figures" in the budget; and Chen Yun reported on the question of grain and secondary food (pork and edible oils).

The communiqué of the meeting, rather than sustaining the buoyant spirit of the Eighth Congress, indicated that the problems mentioned as sidelights at the congress were now the regime's principal concern. In line with Chou En-lai's call for a "suitable retrenchment" in 1957, it noted that because "certain items in this year's plan have been carried out improperly and certain expenses have been rather excessive, it is necessary in drawing up next year's plan (1957), to carry out appropriate retrenchment in certain respects while continuing to advance at the same time." It pointed out that socialist transformation had been "virtually completed," and that there had been "enormous achievements" in capital construction as well as increases in heavy and light industrial and agricultural production. The communiqué admitted that the use of a "small portion" of capital construction had been "improper."

The communiqué further emphasized that "improvement of the people's life must be gradual" and that it now was necessary "to explain frankly, repeatedly, and clearly to the people that some demands are excessive and that some things cannot be done for the time being." The communiqué then announced the launching of a movement for "increasing production and practicing economy" throughout the country and warned that production "must be increased under conditions where the supply of raw materials can be insured and where there are needs in society." It was also necessary, the communiqué added, "to guarantee the quality of the work and to pay attention to safety."

Mao Tse-tung had given a summarizing report on the last day of the session and "expressed full endorsement of the policies and measures adopted at the plenary session." It is probable that most of the "readjustments" made in the 1956 plan and budget, as well as the policies pursued under the 1957 budget and plan, were decided upon at this plenary session. It seems clear that the "readjustment" of 1956 and the "retrenchment" of 1957 in economic planning, decided upon by the plenum and endorsed by Mao, contradict Liu Shao-chi's later (May 1958) contention that "the central committee of the party and Comrade Mao have always taken a clear-cut stand, insisting that the way of working faster and better be adopted..."

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The party leaders apparently felt that a number of the problems which had arisen in 1956 could be solved by adjustments in the planning organs. The State Council announced on 16 November the appointment of nine new deputy directors and ten members to Po I-po's annual planning organ, the National Economic Commission. Among those appointed were Chia To-fu, the partisan of light industry, a deputy minister (under Chia) of light industry, two deputy directors of the Third Staff Office concerned with heavy industry, and four former members of the long-range planning organ, the State Planning Commission.

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Senior Deputy Premier Chen Yun, all of whose public statements since early 1956 had concerned problems in commercial work and in the operations of small- and medium-size industrial enterprises, was appointed minister of commerce on 16 November. Former Minister of Commerce Tseng Shan apparently lost little or no prestige within the party, however, for he was later identified as head of the transport work department of the central committee. Chen Yun's appointment suggested that he was taking direct responsibility for the implementation of his remedy for shortcomings in commercial work, the "free market."

The regime's press indicated in November and December that the "free market," rather than solving problems in commercial work, was creating additional ones. Among other things, local procurement organs were raising the prices paid for agricultural products on their own initiative in order to fulfill their procurement plans, and some of the agricultural producer cooperatives were engaging in commercial speculation, causing price rises in the "black market" 80 to 100 percent above state market price quotations. Several press items also commented on the fact that the "free market" was not under full control of the cadres and that grain, cotton, and oilseeds (products reserved for exclusive state purchase) were being traded on the open market.

A large portion of this "competition" in supply and marketing of agricultural products was the result of diminished supplies caused by the shortfalls of the 1956 crop. Perhaps a more important political result of the poor crop of 1956 was that the regime was forced to admit publicly that the promise of increased income to the peasants as the result of agricultural socialization

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could not be made good. Thus a directive of 25 November, issued by the central committee and State Council, stated that the "important task at present" was to help the cadres and cooperative members "sum up the reasons for failure to increase the incomes of 90 percent of their members." This was an admission that Mao, as well as those leaders who were convinced of the merits of Mao's speed-up of agricultural socialization in 1955, had in this respect been falsely confident.

The problem of transformation of the small- and medium-size industrial enterprises and the handicraft industry--a problem which first arose in early 1956--continued to plague the regime. An editorial on 7 December in Ta Kung Pao complained that "nearly 9,000 handicraft co-op members have applied for withdrawal from cooperatives and some 7,000 members have already withdrawn their membership." The editorial advised that "gentle persuasion" be utilized to get them to return and laid the blame for the withdrawals on cadre "commandism." On 19 December People's Daily criticized the attitude of "some leading personnel and comrades" that the development of individual handicraft activities "spread capitalist influence." "The existence of individual handicraft producers," said the paper, "is beneficial to the state because the supply of products increases." On 29 December Ta Kung Pao went a step further and called for "mass support" for "newly established capitalist factories," attributing the phenomenon to the "inability of production to keep pace with demand," which in turn was the result of "indiscriminate merger of factories in the course of socialist transformation."

It was apparent that this temporary "softness" on the part of the regime toward these two "capitalistic" anachronisms, the individual handicraftsmen and the small, quite primitive and "unregistered" (i.e., private) factories, was dictated by the inability of the economy to provide enough consumer goods to meet the demand. One of the reasons for the lack of production had been repeatedly pointed out by Chen Yun through 1956: that transformation of the smaller factories and former individual handicraftsmen had dislocated their production. The second reason, a shortage of agricultural raw material inputs resulting from the poor harvest of 1956, had intensified the situation.

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The policies which encouraged the growth of these two "capitalist" remnants could reasonably be ascribed to Chen Yun. On 15 December, addressing the All-China Federation of Commerce and Industry, Chen noted with satisfaction that the operations of the "free market" were, as he had earlier predicted, increasing the supplies of consumer goods. He also commented that the "secret workshops," or unregistered factories, which had sprung up were "few" in number and served a "good" purpose. He noted, however, that the question of whether or not they would continue was "under study" by the government. Less than a year later, Teng Hsiao-ping was to be highly critical of these two phenomena.

As 1957 opened, the regime on the one hand was pushing a drive for austerity and economy, and on the other it was allowing the publication of a number of articles by economists and pseudonymous writers which advocated a very moderate approach to the problem of economic development.

These articles, which appeared in such authoritative organs as Hsueh Hsi (Study), Tung-chi Kung-tso (Statistical Work) and Peoples Daily, gave lip service to the importance of heavy industry but argued for increased priorities to light industrial development, creation of stockpiles for future needs, higher and better incentives for the rural labor force, and larger scope for the operations of the "free market." They also emphasized the importance of the agricultural sector in total Chinese economic development. The writers also indicated that dependence upon foreign sources of machinery and equipment was undesirable and endorsed Po I-po's statement of September that "accumulation" should be set at a rate of 20 to 25 percent of national income.

A major theme of the articles was that of "balanced, proportionate development" of the economy. In indirect references to the unrest then going on in the East European satellites, the authors attacked the "blind following" of Soviet experiences in economic development. The articles also criticized unknown elements in the regime who "hold the theory of the primacy of heavy industry as precious" pointing out that such ideas presented the danger of "gaining heavy industry and losing the people."

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The themes and points presented in these articles could be traced back to the speeches made at the Eighth Congress, with the exception of the criticism of the proponents of the priority development of heavy industry. Other than that, the articles could not be considered heretical or unorthodox. The curious aspect was the fact that articles on such topics as the primacy of heavy industry, which exhibited an exclusive concern with the problems of industrialization and were heretofore predominant, did not appear. The regime was apparently encouraging a shift from an over-riding concern with heavy industrial development to a concern for balanced economic development, which was realistically based on the centrality of the Chinese agricultural problem.

No major figures in the regime were directly associated with these articles. It is probable that articles of this type served the purposes of the regime in justifying, to lower level cadres and party workers, the necessity for the retrenchment and "balancing" of the development of the economy that took place in the first nine months of 1957.

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SECRET**Party Leaders Justify Retrenchment, Winter 1957**

According to Liu Shao-chi's May 1958 review, the "individual defects in our work during the leap forward in 1956" were solved "after a few months' effort" by the campaign for increasing production and practicing economy. "However," said Liu, "some comrades at the time magnified these defects and underestimated the great achievements attained; hence they regarded the leap forward of 1956 as a reckless advance." Liu's 1958 view of the "defects" of 1956 was more narrow than that of economic leaders, as it was restricted to "strains" in market supply due to taking on "excessive numbers" of new workers and "excessive increases" in certain categories of wages. The error of regarding 1956 as a "reckless advance" was corrected by the party in September 1957, Liu added.

As of January 1957, the only responsible leader who had publicly referred to 1956 as a year of "reckless advance" was Chou En-lai, who criticized the tendency of "recklessly running ahead" in his Eighth Congress speech. A number of other responsible leaders repeatedly pointed out in the first six months of 1957, however, that the experience gained in 1956 should not be forgotten. As the articles of early 1957 seemed to be attempting to persuade lower level cadres and party workers of the necessity for a retrenchment in the economy, the travels and increased public appearances of several of the economic leaders during this period also served to underline the necessity for retrenchment.

Twice in February 1957, Po I-po, addressing conferences of model peasants, dealt with the problems of 1956 and the current task of "consolidating" the agricultural cooperatives. Po repeated that capital investment in 1956 was a "little too high," that "the rise in living standards did not correspond to the growth of consumer goods," and that, while a large number of construction projects had been finished in 1956, the lack of auxiliary construction for the projects meant that they had not been able to go into production. Moreover, the party and state "should correctly deal in the future with the relation between national construction and the improvement of the people's livelihood."

Po's main point concerned the "consolidation" of the cooperatives in management and operations. He emphasized that improvements in the conditions of life for cooperative members

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depended on their own efforts, and that cooperatives could not continue to "rely on incurring debts" for consolidation. Po estimated that it would take three to five years for such consolidation and that this would be directly dependent on the cooperatives' ability to accumulate material and financial resources themselves. "Consolidation" appeared to mean making the cooperatives independent of state aid primarily in the form of agricultural loans.

Po admitted in both speeches that peasant dissatisfaction, which Teng Tzu-hui had indicated in September and which was implied in the regime's November admission of failure to increase peasant incomes, now existed over the differences between worker incomes and the lower incomes of the peasants. Po provided a rationalization of the differences. This was repeated several times later in the year, which appeared to indicate that peasant dissatisfaction was fairly extensive. Other leaders, including Mao, were to show an increased sensitivity to the agricultural situation as 1957 progressed.

On 27 February 1957, Mao Tse-tung gave his speech on "Correct Handling of Contradictions Among the People." The text was not published until 18 June, and then only after the author had made "certain additions." The bulk of Mao's speech was an exposition of the doctrinal ground rules for the game of "bloom and contend." As he put it, he did not "propose to talk at length on economic questions today."

Nevertheless, Mao felt that the "basic contradictions in socialist society are still those between the relations of production and the productive forces, and between the superstructure and the economic base." The comparatively moderate program followed by the regime over the previous three months could be fully justified by Mao's statement that the "socialist system has just been set up. It is not yet fully consolidated...socialist relations of production have been established; they are suited to the development of the productive forces, but they are still far from perfect." Mao expressed satisfaction with the role that the "superstructure--our state institutions of people's democratic dictatorship..." had played in socialist transformation. "But," he added, "survivals of bourgeois ideology, bureaucratic ways of doing things in our state organs, and flaws in certain links of our state institutions stand in contradiction to the economic base of socialism."

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Contradictions such as these must continue to be resolved in the light of specific conditions, said Mao, citing the need for constant "readjustments" in state planning. Mao indirectly criticized the planning organs, saying: "Every year our country draws up an economic plan in an effort to establish a proper ratio between accumulation and consumption and achieve a balance between production and the needs of society...When arrangements do not correspond to objective reality, contradictions arise and the balance is upset; this is what we call making a mistake."

"Time," Mao continued, "is needed for our socialist system to grow and consolidate itself, for the masses to get accustomed to the new system, and for government workers to study and acquire experience." Mao's general comments gave sanction to continuing the "consolidation," or breathing spell, which apparently had begun the previous April.

Mao touched on three more specific points in language which suggested that the search for answers to questions of future economic policy was still going on. With regard to agriculture: "We must still find the correct way to handle the three-way relationship between the tax revenue of the state, the accumulation of funds in cooperatives, and the personal income of peasants...Accumulation is essential for both state and cooperative, but in neither case should this be overdone." Mao was aware of the chief manifestation of peasant dissatisfaction that Po I-po had noted earlier; he rather sharply pointed out, "It is not right to make a superficial comparison between the average annual income of a peasant and that of a worker and draw conclusions that one is too high and the other too low."

Mao also indicated he felt that some elements within the regime were not considering all possible alternatives in their search for future progress. "Some," said Mao, "act as if they think that the fewer the people and the smaller the world the better. Those who have this 'exclusive club' mentality resist the idea of bringing all factors into play, or rallying everyone who can be rallied, and of doing everything possible to turn negative factors into positive ones." "Bringing all factors into play" was later to become the predominant theme of the "leap forward" movement. Mao seemed to be criticizing the party and government apparatus for resistance to several possibly unusual suggestions for future courses of action.

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One of these suggestions was apparently the proposed increase in construction of small and medium plants, for Mao went out of his context of generalities to endorse it. He noted the lack of experience of the regime in construction and, while citing the great successes of the past, emphasized the "waste" engendered at the same time. He said, "We must gradually build a number of large-scale modern enterprises as the mainstay of our industries...but the majority of our enterprises should not be built in this way; we should set up a far greater number of small and medium enterprises and make full use of the industries inherited from the old society so as to effect the greatest economy and do more things with less money."

In his May 1958 review of economic planning, Liu Shao-chi played down Mao's "contradictions" speech, implying that it was irrelevant to his exposition. Nevertheless, Mao's speech, viewed in the context of retrenchment and the empirical approach then being adopted with regard to economic policies, seemed to give strong support to the policy of continuing the moderate course.

On 9 March 1957 Chen Yun gave an omnibus report on the state of the economy. Chen noted that the current movement to "increase production and practice economy" was dictated by the fact that there had emerged shortages of meat, food, and general consumer goods, as well as short supplies of pig iron, steel, and lumber. Chen attributed the consumer-goods shortage to the wage increases of 1956 and stated that the excess of expenditures over revenues in 1956 was the result of the increase of agricultural loans in that year.

The reason for the "present austerity," Chen said, was primarily the calamities in agriculture in 1956, which were effecting state income in 1957. He explained that capital construction investment in 1957 would be less than in 1956 and implied that the completion of a number of construction projects then under way would have to be postponed. Chen further noted that all civil construction work in 1957 except worker dormitories and schools would have to be dropped. Food supplies were apparently tight, for Chen said that pork and edible oil exports in 1957 would be cut by two thirds and that the government was prepared to increase supplies of relief grain to calamity-stricken areas. He noted that "a large population and a high rate of consumption are the difficulties in our economic life."

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Chen's speech contained the first public indications of the measures the central committee had had in mind when it announced the previous November that retrenchment was necessary. While Chen's speech was not a formal presentation of the 1957 plan, it was an unusual public announcement for him in that it dealt with many facets of the economy and was not marked by his past concern for specific segments of the economy. 25X1

Teng Tzu-hui, also speaking in March, emphasized the need for "democratic management" in the cooperatives. Participation in the operation and management of the cooperatives by their members had to be stimulated lest "cadres take charge of the management by themselves, depart from the masses, and even fall into corruption." Teng repeated his point of September--that of the necessity to "unite with" the middle peasants. The burden of Teng's statement was that necessary increases in agricultural production could come only from following policies of "democratic management," i.e., comparatively moderate policies.

Moderate Planning, Spring 1957

The first outlines of the official 1957 plan were presented by Chia To-fu to a national conference in late March. Retrenchment and a moderate approach to economic policy marked Chia's summary of the situation for 1957. Chia included an assertion which could almost be described as a "welfare" approach to central planning. Chia said that, in regard to the supply of capital goods the minimum amount for the production of consumer goods must be set aside "first." These statements implied that the priorities governing annual planning had been shifted from capital goods and industrial production to consumer goods and agricultural production.

Chia's outline of the details of the proposed 1957 plan bore out the sense of a change in priorities in planning. He pointed to the need for a "lower level" of investment in 1957 in order to "lock the First (Five-Year) Plan with the Second." 25X1

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He noted that the large long-range projects in capital construction would be discontinued, and all "postponable" projects suspended, and he stated that policy in 1957 dictated that part of capital construction investment be appropriated for enterprises which are "small in scale, require small investment, and can be in production in a short time."

Chia drew attention to three factors in planning which needed more emphasis. First, more "coordination" on the part of the central government was needed in planning in order to "eliminate imbalances which developed over the past four years." Second, there should be better coordination of central and local government economic development. "Judging from the conditions of fulfilling the First Five-Year Plan," Chia said, "investment in local enterprises had exceeded the target considerably," and, although a general slash in investment was planned for 1957, investment in local enterprises should be cut as "little as possible." The third factor mentioned by Chia was the necessity for "unified balancing and planning."

Chia did not, however, emphasize the point made by Mao in February: that "balances" in all things were relative and transitory. The current problems of the regime obviously required restoration of "balance," however temporarily, and the emphasis of the planners in public statements continued to revolve around the question of balancing until late 1957.

By April the framework of the 1957 annual plan was apparent. Po I-po presented it, and Chou En-lai made "supplementary remarks" on it (both unpublished) to the standing committee of the National Peoples' Congress. Between April and June the economic leaders--chiefly Po I-po and Li Fu-chun--traveled and spoke quite extensively, explaining the reasons for the moderate goals of the 1957 plan to various audiences.

Po I-po, appearing at forums in Sian and Chengtu in early May, spoke on the subject of "rectification" in construction. Thrift and economy, the current slogans of the regime, and remedies for the "many mistakes and much waste" generated in construction during the First Five-Year Plan, could be achieved by full participation of construction cadres in the rectification campaign. By way of illustrating past mistakes, Po noted that in the past "we alienated ourselves from reality and the masses, and we unilaterally pursued excessively large-scale, modern, and high-standard construction."

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On 17 May 1957 Po and Li Fu-chun were in Chungking giving their views on current problems in construction, particularly with regard to planning. Both Po and Li subscribed to the proposition that "the current headlong modernization program is worth reconsidering...first we must consider whether or not this equipment can be produced in this country and then consider modernization. What we are doing now is just the opposite." The two planners reiterated the need for construction of medium- and small-scale plants and integration of larger plants with smaller ones. In addition to these points of emphasis, the planners elaborated a number of measures calculated to lower the costs of construction.

On 23 May 1957 Li Fu-chun addressed the New Democratic Youth League, emphasizing that the First Five-Year Plan would "definitely" be overfulfilled. Li stated that the keynote of the Second Five-Year Plan would be one of "making every penny count." Li noted that "many present problems" in economic development arose from "poor planning...the avidity to do everything on a big scale..." Li said that this would be rectified in the Second Five-Year Plan by placing the emphasis on the construction of small- and medium-scale enterprises. Li also warned that "mechanization should not be developed to the detriment of handicrafts and small production" because of "tradition" and potential unemployment.

Li Fu-chun repeated much of his earlier discussion to a national conference of designers on 31 May. This particular address, however, contained substantially more emphasis on the problem of the relationship between central and local authorities. It was apparent that the question had been settled as to what portion of the functions of the central government "should," in theory, devolve to local levels. Li implied that some inhibitions to actual devolution of authority remained; he very strongly insisted that "from now on,...a large portion of light industry and some heavy industry" should be handed over to local management. This was necessary, said Li, because, "judging from developments in recent years, overmanagement and excessive control have been exercised in planning, industry, business, and finances."

On 6 June 1957 Peiping issued a statement summarizing speeches by Po I-po and Li Fu-chun to the national conference on design. This statement contained some general "principles of guidance" for the Second Five-Year Plan. It was apparent

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from the reading of the principles that the "lessons" of 1956 had been given heavy weight in their formulation. The two planners endorsed (a) increased "proportional" investment in agriculture and light industry while "maintaining the priority" of heavy industrial investment; (b) maintenance of a "proper ratio" between accumulation and consumption; (c) greater power to local levels while preserving over-all central control; (d) cuts in construction costs; (e) continuing construction of "some" large plants but more emphasis upon small and medium plant construction; (f) priority to development of the extractive industries within heavy industrial investment; and (g) fulfillment of 70 to 80 percent of national equipment requirements from domestic sources. The joint statement most strongly emphasized the first point, on the grounds that more must be invested in agriculture to meet the "growing demands of 600 million people."

Several developments suggested that there had been a decided shift in the planners' approach to economic problems. These included Chia To-fu's March statement on the 1957 plan, which noted the priority of guaranteeing the requisite equipment for consumer goods production; Mao's reported statement of April; Li Fu-chun's and Po I-po's emphasis upon agriculture to meet the "demands of 600 million people;" and a statement ascribed to Chen Yun in June that "in drawing up the (Second Five-Year) Plan, we must first make arrangements for the people's livelihood, second those for production and last those for capital construction." The predominant and somewhat narrow conception of the party leadership--the conception which prevailed up to 1957--that the rapid development of heavy industry was the key to economic progress, appears to have broadened into a conclusion that sound economic development is determined by a large number of interdependent factors. The problem of how these various factors should be handled was formulated in the recurrent calls for "balanced, proportionate development" and became the main topic of public discussions of economic policies.

The regime's chief spokesman for agriculture during this period was the moderate Teng Tzu-hui. Between April and June 1957 Teng was primarily concerned with giving impetus to the campaign for construction of small-scale irrigation and water-conservancy projects. On 20 April 1957, speaking to a meeting of the secretaries of the party's Peiping committee, Teng revealed that the regime was experimenting with a new form of incentive system for increasing agricultural production. The

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system, which Teng called a "two-target" system, appeared to be composed of two production goals: the first, a "guaranteed" or minimum goal, set 15 to 20 percent lower than actual annual output; and the second, a planned production goal, set higher than actual annual production. As Teng explained it, 70 or 80 percent of the overfulfillment of the "guaranteed" target would be awarded to the production brigades as a bonus. "Seeing that it is easy to overfulfill the production target and get a bonus," said Teng, "...the production enthusiasm of the cooperative members will naturally increase."

The fact that the "ease" of overfulfillment came from setting the guaranteed target below actual annual output, as well as the fact that the greater proportion of overfulfillment was distributed to the members and not plowed back into production (accumulation), must have made, as Teng put it, "some comrades view this with anxiety." Teng's advocacy of this experimental measure was consistent with the moderation expressed in his earlier views on agricultural policy. But more importantly, this "two-target" system for agriculture outlined by Teng appears to have been the precursor of the revised system of planning targets for industrial production--the system which became part of the "leap forward" movement of 1958.

In the process of speaking about the necessity for construction of small- and medium-scale irrigation and water-conservancy works, as well as of advocating incentive measures and methods of democratic management for the cooperatives, Teng made it clear that his moderate position was based in part on the judgment that "capitalism" had been expunged from the countryside. The question as to whether the peasant would take the road to capitalism or to socialism "had been solved," said Teng, as the result of the agricultural cooperativization movement. This sanguine view was to be specifically denied by the spokesmen of the "great upsurge" barely five months later.

People's Daily ran a feature article on 5 May 1957 entitled, "A Preliminary Study of the Income and Living Standard of the Peasants of China" by Tan Chen-lin, an early associate of Mao who had been brought into the party secretariat under Teng Hsiao-ping in 1955. Although Tan was careful to point out that his study was "preliminary" and based on "incomplete materials," his article was a detailed defense of the correctness of party policy in agriculture, with the conclusion that: "Viewed against all the facts, it is clear that the workers' life is no better than that of the peasants."

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In this article, Tan's first appearance in the field of agricultural policy, Tan seemed to be, unlike Teng Tzu-hui, a "high-pressure" man with little sensitivity to rural problems. The article was tailored to agree with Mao's dictum, included in his "contradictions" speech, that "it is not right to make a superficial comparison" on the questions of the worker-peasant income differential and to "draw conclusions that one is too high and the other too low." Beyond providing "facts" for those who wished to argue the question, Tan's article indicated (where Mao and Po I-po had not) that the argument was also an interparty discussion. As Tan introduced the problem, "since the autumn harvest of 1956 a number of comrades have taken the view that the peasants still have a good deal of trouble making a living...some of our comrades even subscribe to the opinion that 'upon entering the cities, the Communist party forgot the villages.'" Tan's conclusion was that while the party's policies were not "faultless," the "facts" seemed to "justify party policies."

Continued Moderation, Summer 1957

During this period of a "moderate" attitude in Chinese Communist discussions of the economy, the "rightist" attacks on the party and its policies happened to reach their height. The annual meeting of the National People's Congress was postponed from 3 June to 20 June and again to 26 June--apparently owing to the impact of criticisms of regime policy made at the preparatory meetings of the congress by the deputies themselves. Chou En-lai opened the congress on 26 June with a bitter blast against the regime's rightist critics.

Chou was on the defensive and therefore was disposed to refute charges which he himself, among others, had earlier conceded. He denied that in the course of economic policy the regime had "advanced too hastily in 1956," although he had admitted this in September. He also denied that Peiping had "retreated too hastily in 1957," or that the regime was responsible for a "too great" discrepancy between the life of the peasants and workers. Other than the irritation with which he rebutted these criticisms, Chou's defense contained little of interest.

On the question of the rightist criticism of over-centralization of the powers of government, however, Chou did acknowledge that in order to rid the nation of this shortcoming "we began an examination of the government structure." "The government," he said, "has decided to make suitable readjustments, expanding the

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powers of local authorities so that their creative initiative may be freely developed under the coordinating leadership of the central authorities."

On 29 June, Li Hsien-nien gave a report to the NPC on the 1956 budget and the planned 1957 budget. With regard to 1956, Li said that the "achievements were fundamental, shortcomings and mistakes secondary." The "undesirable" effects in 1957 of 1956 overspending on progress could be remedied by boosting production, economizing on expenditures, and increasing reserves of materials. Li noted that "it is inevitable that the rate of growth in each year is uneven...there will be fluctuations." There was nothing "impossible" in increasing the pace "as we did in 1956"; the shortcomings resulted from "lack of experience" on the part of those in financial and economic work.

The general objective of the financial plan for 1957, Li said, was to "consolidate 1956." He predicted that 1957 revenue would be about 2 percent higher and 1957 expenditures 4 percent lower than in 1956, and he foresaw that a large amount of funds could be saved by cuts in expenditures on administration and national defense. Capital construction in 1957 would be about 20 percent less than that of 1956, with most of the cuts to be made in the nonproductive category. Li noted that the proportion of cuts in budgetary expenditures would be greater in the case of the central government than in local government expenditure, because "from now on, more enterprises and undertakings will be transferred step by step" to local management.

Li Hsien-nien also expressed satisfaction with the commodity price situation, noting that most of the price fluctuation in past years had been in the "free market." This, said Li, was "inevitable; in a way it has its positive aspects." Li did not imply that all now was well with the state control of the "free market"; he left the subject after expressing the view that price fluctuation in that market still required strengthened state leadership.

Li apparently was very much in favor of the proposed "redefinition" of responsibility between local and central government authorities in financial work, which had been under discussion "for more than a year." He said, "Appropriate changes must be made in the existing method, whereby expenditures and revenues

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of the local authorities are virtually under the control of the central financial authorities. Given these changes, local financial authorities can then, within definite limits, arrange expenditures and revenue with a free hand." Li hoped that the details of this problem, as well as similar measures designed for the financial management of enterprises and corresponding changes in the tax system, could be settled in "1957 or 1958."

Po I-po reported to the NPC on the annual plan for 1957. He set the background for the plan in the following light: "In 1956 our country was stricken by the severest natural calamities since the liberation, and an adverse effect is to be expected in 1957 in all fields of the national economy...the shortcomings and mistakes that took place in our work in 1956 have resulted in a number of contradictions in certain aspects of economic and social work--contradictions which need an immediate solution."

Po explained what the mistakes in planning work had been in 1956. First, an excess of 1.5 to 2 billion yuan in capital construction by the state had meant that more construction had been undertaken than the supply of construction materials and equipment had warranted. Po pointed out that "we were not aware of the error then," and the planners' assumption that the 1956 plan would be 95 percent fulfilled--"as in any of the previous years"--was proved wrong when actual fulfillment proved to be "99.9 percent." The specific error, said Po, was that "we set the plan too high."

The second error, in Po's estimation, was in the credit and loan policies of 1956. The 1956 bank loan and credit plan contained increases in loans to 1.41 billion yuan; the actual figures turned out to be 2.97 billion yuan. Po was quite explicit as to the cause: "In order to ensure financially the great victory of the socialist revolution, it was absolutely necessary to increase such loans." The specific error here, said Po, was that "we failed to reduce even small portions of the loans in the course of implementing the plan." The third and fourth errors in the 1956 plan were that the planned figures for both additions to the labor force (planned: 840,000; actual: 2,300,000) and enrollment of students were too low. It was errors such as these that caused a depletion of state financial and material reserves.

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Po's statement of "mistakes and shortcomings" in planning in 1956 was not a direct statement of the basic problem. The basic problem of the planners was that the rigid over-all plan for economic development could not withstand the impact of unforeseen changes from two sources. The first source--the weather--was somewhat removed from the control of central planning, and it apparently took a bad crop year such as 1956 to illustrate to the planners the vulnerability of plan objectives to agricultural calamities.

The second source--political policies pursued by the regime--was the area in which "the lack of experience," as the planners put it, particularly caused difficulties. Po's first "mistake"--that of setting capital construction targets too high--was more a case of projecting fulfillment than of setting targets. The "99.9-percent" instead of "95-percent" fulfillment could be laid directly to the political pressures generated for fulfillment in the "upsurge" of 1956.

In similar fashion, Po's second "mistake"--that of not recovering part of the unexpected increase in loans made in 1956--side-steps the issue. The "mistake" lay not with the recovery of these funds, but rather in that the planning mechanism and the planners themselves were not prepared for a primary effect of the policy of "rapid socialization of industry and agriculture." The increase in the number of economic units in agriculture, industry and, commerce under state control as the result of socialization created an equivalent increase in the number of units eligible for loan support from the state. Po's statement that "it was absolutely necessary to increase such loans" in order to "ensure financially the victory of the socialist revolution" was correct; this loan eligibility had been one of the regime's chief inducements to "socialization" in the "upsurge of socialist transformation" in late 1955 and early 1956.

The remainder of Po-I-po's speech, outlining the 1957 economic plan, repeated most of the points made in the early months of 1957 by Po himself and by Chia To-fu. Besides the 20-percent reductions in capital construction investment, most of the measures in the plan were aimed at bringing the development of the agricultural sector into line with the rest of the economy. Although investment in both industry and agriculture was to be cut, Po noted, "We have managed in allocating funds to cut down less in the field of agriculture and more in industry."

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Po announced that, in addition to direct support to agriculture, increased emphasis would be given to the chemical fertilizer industry in order to increase the supply of fertilizers available for agriculture.

Po predicted that the value of industrial production would increase only 4.5 percent in 1957 and went to some lengths to point out why the rate of increase was so much below the 32 percent gained in 1956. Most of the justification again revolved around the impact of the agricultural calamities of 1956 on 1957 revenue sources. The length and detailed nature of the justification suggested that some elements within the regime were not in sympathy.

Other highlights of the 1957 plan were the planned conversion of some of the defense industry's machine-building facilities to civilian production and an undefined rearrangement of centrally and locally controlled machine-building capacity in order to "benefit the development of all potentialities of the machine-building industry." Much as he had earlier in the year, Po strongly endorsed the change in emphasis from construction of large-scale modern plants to small- and medium-size plants and increased utilization of existing smaller plants and handicraft industries. This change in construction policy would mean taking "full advantage of the abundant labor supply in our country."

The one anomaly in Po I-po's presentation of the 1957 plan was that he did not mention, much less endorse, the proposed "redefinition" of authority between the central and local authorities which both Li Hsien-nien and Chou En-lai highlighted in their presentations to the NPC. Po's silence on the subject of decentralization was not consonant with his position as a planner. It might be construed as reflecting his other post as head of the State Council's Third Staff Office, the apex of government control of heavy industry and construction. Chia To-fu in September 1956 had indicated that light industry was the chief area to be affected by the proposal. In late May 1957, however, Li Fu-chun indicated that the decentralization would include "some heavy industry" as well as light industry. Po may have been concerned over the possible effects of decentralization on the heavy industrial sectors.

The representatives of the heavy industrial ministries had maintained a public silence on questions such as the construction

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of large versus small plants and the advantages and disadvantages of decentralization. In August 1957, however, Chen Yu, the minister of coal industry, apparently became the first casualty of the policy conflict on these two questions. Chen, a central committee member, was transferred at that time to an unimportant post as a provincial governor. In April 1958 the Peiping press noted with approval that "in the past the Ministry of Coal was in favor of central government operation, large projects, and reliance upon the state. It now is in favor of local operations, emphasis on small projects, and reliance on the people." In addition, the ministry had not been enthusiastic about state pressures for increases in coal production in 1957.

The presentation of the 1957 plan and budget to the NPC was secondary to the struggle against the "rightists." Despite the "decisive victory" gained over the rightists, the press continued to emphasize this problem for some time after the close of the NPC. In the meantime, the normal timetable for drawing up annual plans was compressed; three weeks after the close of the NPC, a conference was held in Peiping to draw up the control figures for the 1958 plan.

Po I-po and Chia To-fu were the key figures at this conference, which was held from 25 July to 22 August 1957. Their statements on the outlines of the 1958 plan indicated that the planners envisaged only slight increases in the 1958 targets over the 1957 level. The "guiding line" for the 1958 plan was the "policy of developing industry and agriculture simultaneously, increasing investment in agriculture and industries that concern the development of agriculture, and developing agriculture and the chemical fertilizer industry, for a gradual change in the backward situation of agriculture." The striking element in both Po's and Chia's formulation of the "guiding line" was not only the equal weight given to "simultaneous" development of industry and agriculture, but also the omission of any reference to the "priority" of heavy industry. Up to this time, statements of the "guiding line" for economic development had repeated the formulation, contained in the First Five-Year Plan, of "giving priority to the development of heavy industry." It was apparent the regime intended to continue the moderate course initiated under the 1957 plan.

Po I-po indicated that the 1958 plan had been drawn up on the basis of Mao Tse-tung's "contradictions" speech. As in his NPC presentation of the 1957 plan, Po did not refer to the proposed decentralization or to its effects on the 1958 plan. "The

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present problem," Po said, "is how to use the accumulated capital to reinforce the weak links of...agriculture and those industries producing raw materials and fuels."

Chia To-fu's remarks on the 1958 plan contained a more explicit statement of the current policy in industrial construction. Capital construction investment in 1958 was to be "slightly more" than that of 1957, and "the policy of coordinating large, medium, and small enterprises--coordinating enterprises managed by the central ministries with local enterprises and coordinating new enterprises with old enterprises--will be continued." This problem of "coordination" of industrial construction between the central ministries and local authorities appeared to be a reference to the decentralization measures mentioned earlier in the year. Here, as at the NPC, Po I-po again evidenced little interest in these measures at a time when a fellow-planner, Chia To-fu, appeared to be stating that a rudimentary form of the policy was already in effect.

On 7 September 1957 a People's Daily editorial followed up the outlines of the 1958 plan as laid out by Chia To-fu and Po I-po and repeated that the 1958 plan had been drawn up on the basis of Mao's "contradictions" speech. The omission of "priority to heavy industry" noted in the planning conference speeches, was, however, corrected by the editorial. The People's Daily formulation stated, "The principles for drawing up the 1958 plan are as follows: carry out the policy of developing industry and agriculture simultaneously, starting from the premise of developing heavy industry as the core of national construction."

The editorial also estimated that, from the preliminary 1958 targets, "it appears that grain and cotton supplies in 1959 will still be unable to catch up with the rising living standards and developing industry, and that supply of most other crops needed by industry will remain tight." In spite of this rather pessimistic view of the future, People's Daily concluded: "Let each person do the job of several and let each dollar run further than usual. A plan made in this spirit will definitely lead to a new upsurge in China's national economy during 1958 and create a good beginning for the Second Five-Year Plan."

Taken in the context of the entire editorial and within the framework of prevailing moderate approaches to economic development, it could not be said that this People's Daily reference to a "new upsurge" in 1958 was the clarion of the present "leap

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forward" movement. Rather, it appears that in September 1957 the regime foresaw that the period of retrenchment would be successfully concluded in 1957 and that it looked forward to a level of economic development in 1958 somewhat higher than that of 1957.

It has been suggested that despite the "upsurge" of 1956, some of the party's leaders--perhaps principally Chen Yun--became concerned early in 1956 over the course of economic development, in the light of the new problems raised by the rapid success of "socialist transformation." This concern was sanctioned by Mao in his April 1956 speech. Concern was sharply intensified by the failure of plans for greatly increased production in agriculture in the summer of 1956. A period of consolidation or a "breathing spell"--in order to consider alternatives--became doubly important.

The concern over new problems was secondary to a spirit of optimism during the Eighth Party Congress in September 1956, but it emerged clearly at the November 1956 plenum of the central committee, at which the "readjustments" of the 1956 plan and budget were announced. The "readjustments" of the 1956 plan, the announced necessity for retrenchment in 1957, and the mounting of a campaign to "explain" to the peasantry why "socialist transformation" had not provided its promised fruits, all helped temporarily to remedy the regime's problems.

At the same time as circumstances dictated a more conservative approach to economic questions, it became apparent that the regime was adopting several new measures designed to stimulate economic growth. First among these was the proposed decentralization of authority. The initial outlines of this measure were vague but appeared to involve devolution of primary managerial authority over most light industry and some heavy industry from the central government ministries down to local authorities. An increase in the latitude of local managerial authority also served to facilitate implementation of a second measure, that of increasing the construction of small and medium plants. These two measures were directed at utilizing a potential presumably overlooked during the First Five-Year Plan period.

One of Chen Yun's chief complaints about the "too rapid" socialization of industry and commerce in late 1955 appeared to be based on the fact that the smaller size, diverse private

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enterprises were not well suited to central government operation. The increase in latitude provided local authorities under decentralization may also have been aimed at solving this problem.

The theory behind these measures appears to have envisaged that all previously under-utilized industrial facilities would work at maximum capacity under authorities familiar with local conditions, and also that additional small- and medium-size plants would be built which would further develop production on local levels of government. Thus while large-scale, modern, heavily capitalized industrial facilities would continue to be built, the smaller and cheaper facilities would allow for a much greater utilization of that most abundant Chinese resource, manpower. In sum, it could be said that the Chinese Communists were moving away from the capital-intensive policies of the previous five years and moving closer to a labor-intensive program of development.

The regime had also developed a new appreciation of the importance of agriculture in the Chinese economic situation over these years. The measures proposed for strengthening this sector through 1957 were not particularly radical. Additional stimulus was given to the construction of irrigation and water conservancy works in order to lessen the impact of natural calamities upon agriculture. Similarly, the construction and production of chemical fertilizer plants assumed a new priority in industrial planning in order to enlarge the supplies of chemical fertilizer. A number of increases were made in prices paid by the state for agricultural products--a move taken to broaden incentives for production. The attempts to eliminate "commandism" on the part of agricultural cadres and the calls for "democratic management" of the cooperatives suggested that a moderate approach to the problem of peasant dissatisfaction prevailed.

The abundance of articles explaining the need for more moderate policies in early 1957, as well as the campaign of explanation and persuasion undertaken by the economic leadership in mid-1957 suggested that the regime hoped to withdraw from the high-pressure atmosphere of late 1955 and early 1956 without at the same time shaking the confidence and depressing the morale of the party faithful. This effort seems, however, to have been unsuccessful.

The stimulation of the "free market" and the lack of punitive action against the newly established "capitalist factories,"

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practical as these measures were, must have created grave doubts about the party's monopoly of economic wisdom. Since 1949, moreover, annual increases in almost all categories of production and investment had become routine. This customary expectation of uninterrupted economic progress year after year was disappointed by the planned drop in the pace in 1957.

Similarly, eight years of progressive centralization of government control, and constant descriptions of the Chinese industrial millinium in terms of huge industrial combines like Anshan and Paotou, had created certain conceptions as to the proper road to progress. These conceptions were violated in the proposed decentralization and the increase in emphasis upon small and medium plant construction.

It is uncertain whether the economic leaders whose public statements announced and elaborated these policies are specifically those "comrades" whom Liu Shao-chi accused of regarding 1956 as a "reckless advance." Their statements did, however, establish the climate of opinion which permitted the "flurry of opposition to this so-called 'reckless advance'" which Liu attacked in May 1958. The result, as stated by Liu, was that "this dampened the initiative of the masses and hampered progress on the production front in 1957, and particularly on the agricultural front."

Liu stated that the party, at the third plenary session of the central committee in September 1957, "soon corrected this error." The correction took the form of an exhortation for an "upsurge" in the last quarter of 1957 and constituted the first stage of what later became the "leap forward" of 1958.

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SECRET**III. THE SECOND UPSURGE****Party Leaders Prepare for "Upsurge," September 1957**

By early September 1957, the regime was fairly confident that the agricultural harvest would be better than the calamitous one of 1956. On 3 September, Li Hsien-nien gave a cautiously optimistic progress report on the national economy and budget for 1957. The plan and budget were "in the main satisfactory," chiefly because of the correct guidance--the "readjustment" of 1956 and the "retrenchment" in 1957--given by the central committee at its second plenary session in November 1956. As evidence of satisfactory progress, Li noted that the targets for financial revenue were expected to be fulfilled and might be overfulfilled, and that there might be a small surplus at the end of the year.

Li then considered preliminary planning for the future. He noted that the basic targets in the First Five-Year Plan had already been fulfilled and "overfulfilled." He commented that "some drawbacks and mistakes had occurred in our work during the past five years but many of these...could hardly be avoided in the course of our advance." The "striking problem that stands out in our economic life at present," he said, "is the fact that agricultural production falls behind the people's needs." The basic method of developing agriculture in this period was to be through increasing yields per hectare by increasing fertilizer supplies, encouraging water conservancy and drainage projects, and carrying out technical reforms "suitable to practical conditions." These and other policies outlined by Li--cuts in military and administrative expenditures and a decrease in cultural and educational construction--were repetitions of the earlier pronouncements.

Li foresaw "many favorable conditions" for 1958; he noted that "crops were better than average in 1957," thus "ensuring" increases in financial revenue for 1958, and he also cited the "positive" influence of the production and economy campaign and the rectification campaign. The remainder of Li's discussion was devoted to details of financial work for 1958 and was chiefly of interest in implying that a decentralization in financial work would take place in the near future.

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A reassessment of the potential of rectification" seems primarily to have encouraged the aggressive policies set forth at the third plenary session of the eighth central committee held between 20 September and 9 October 1957. The highlights of this meeting were Teng Hsiao-ping's report on the "rectification" movement, an unpublished report by Chen Yun on problems in increasing agricultural production and the draft regulations for the "improvement of the state administrative system," and Chou En-lai's report on changes in the wage system. Of the three primary reports, the only complete text was Teng Hsiao-ping's. While other members of the central committee undoubtedly spoke, only excerpts from a report by Teng Tzu-hui on agricultural policies were additionally published.

The only information on Mao Tse-tung's personal role at the plenum comes from an article by Po I-po in Study in March 1958. According to Po, Mao emphasized to the plenum of September 1957 his slogan of "more, faster, better and more economical," and criticized the "rightist conservative tendency" in party work. Again according to Po, Mao also reflected the monitory line found most often in the pronouncements of the economic specialists. Mao is said to have warned that his anticonservative policy "must be grounded in fact and must be in accordance with reality."

Another remark attributed to Mao at the September 1957 plenum provides further evidence that Mao had decided in favor of those urging a "second upsurge" and was warning his audience that debate had ended. Mao said, according to Po, that "the problems currently remaining unsolved are those which could have been solved if there had been a united struggle."

Further evidence of Mao's position as of September 1957 is provided by the published speeches of other party leaders at that time. The best evidence seems to be in the speeches of those leaders selected by Mao to give the major reports to the party plenum.

Teng Hsiao-ping in his report to the plenum reviewed the progress of the "rectification" campaign since May 1957. He announced that the campaign would be broadened into a nationwide movement rather than slack off after achieving its first objective of rectifying the thoughts of the intellectuals, who had been the chief source of "rightist" criticism of the regime

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in early 1957. Thus the movement was now to "gradually spread to the workers, peasants and industrial circles." Teng tied the entire future of the regime to the success of the movement:

This is a socialist revolution on the political and ideological fronts. The socialist revolution on the economic front alone in 1956 (in the ownership of the means of production) was not enough and is not consolidated. The great national debate now going on has solved or is solving such important questions as whether the revolution and the work of construction have been correct, whether the road of socialism should be taken, whether the leadership of the Communist party is wanted or not, whether the proletarian dictatorship is wanted or not, whether democratic centralism is wanted or not, and whether the foreign policy of our country has been correct, etc. If we fail to win complete victory in this debate, we will not be able to continue our advance. If we win this debate, the socialist transformation and socialist construction in our country will be greatly advanced.

While the majority of his discourse was devoted to the outlining of measures to be taken to achieve victory in the "debate", Teng also singled out several areas where specific economic policies and judgments made by other members of the leadership on the ideological situation in the past, had stimulated the growth of deviant thinking.

Although he mentioned no names, Teng attacked three specific economic policies for which Chen Yun had been chief spokesman. On the question of the rise of "unregistered" or "capitalist" factories which had occurred in late December 1956 and with which Chen Yun had publicly expressed satisfaction, Teng stated: "Clandestine factories must be banned, and they must be made to come into the open so they may be placed under control, supervision, and transformation..." Teng was also quite dissatisfied with the early halt--in which Chen Yun had been instrumental in early 1956--to socialist transformation of the small- and medium-size industrial and commercial enterprises. That the current "rectification movement" would remedy this was indicated by Teng's statement that "generally, all industrialists and merchants must be made to receive education, and there must be no repetition of what happened in certain past movements when a portion of the people were forgotten."

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A third economic policy with which Chen Yun was intimately associated and which drew criticism from Teng was that of the "free market." One of the basic policies of the state, as Teng made clear elsewhere in his speech, was the continuance of state procurement and distribution of grain. Teng laid the blame for violations of the policy directly at the door of the "free market." Citing some of the violations, he said that "many people have employed all ways and means of trying to sell less surplus grain or other major farm produce to the state. Some people have even engaged in speculative activities--particularly since the opening of the free market, when capitalism spontaneously made new headway among certain peasants."

A theme of Teng Hsiao-ping's report which was to become a theme of "rectification," was that strong efforts had to be made to eliminate the great propensity for following the "capitalist" road, particularly in the countryside. Teng Tzu-hui's judgment in May 1957 had been that the question of whether the peasant would take the road to socialism "had been solved." Earlier, at the Eighth Party Congress, Teng Tzu-hui had also defended the policy of moderate treatment of the middle peasants during the socialist transformation of agriculture. Teng Hsiao-ping flatly contradicted both views.

Recently there has existed within the party a serious rightist-deviationist ideology--the view that the struggle in the countryside between the two roads has come to an end, that there is no longer any need to stress the class line, and that efforts can be exclusively devoted to production and relaxing socialist education among the peasants...among functionaries in the countryside, there are also a minority who, due to changes in their domestic economy, have developed the capitalist ideology. These people in effect take the stand of the well-to-do middle peasants on such basic questions as cooperation and state purchase and sale, and express doubt and dissatisfaction over the policy of the party and the State...It would be incorrect to forget class analysis and the class line in the countryside. It is imperative to ensure the supremacy of the poor and the poor-middle peasants while putting the cooperatives on a sounder basis.

The three stimulants to the rise of "capitalism"--private factories, the "free market," and the lack of ideological

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education of the small-scale industrialists--were good examples of the activity for which Teng Hsiao-ping demanded "rectification." He did not qualify his criticism with reservations--such as "these policies were correct at the time," or that the policies were "well-intentioned but incorrect."

As noted earlier, there were signs of discontent with the criticism of these policies at the time they were announced. Teng's attack in September 1957 may mark the ascendancy of those whose dissatisfaction dated back to the time of the announcement of the policies but whose criticism had remained publicly stifled. Teng could have mentioned these policies without implying either error or almost conscious stimulation of the growth of "capitalism" to the chief exponent of the policies, Chen Yun. This suggests a fairly wide divergence between Chen Yun, who saw the policies as practical, expedient answers to existing problems, and Teng Hsiao-ping, who saw the policies as potentially subversive exceptions to Communist doctrine.

The divergence of opinion between Teng Hsiao-ping and Teng Tzu-hui was different and perhaps more basic than that between Chen Yun. The continuance of a "struggle" between the two roads of socialism and capitalism apparently, in Teng Tzu-hui's estimation placed agricultural production in jeopardy; hence his comment that the question had been solved. He seemed to place higher priority upon maintenance of production than on the development of higher forms of "socialist" society. Teng Hsiao-ping, on the other hand, apparently viewed the situation in terms of impurities in the "socialist" system. Teng Hsiao-ping's point was that continued "struggle" along the right road of "socialism" would not jeopardize production but indeed would raise the system to new heights of "socialist" perfection, from which it logically followed that agricultural production would soar.

In any case, opinions such as Teng Tzu-hui's would tend to generate feelings of content with the status quo and complicate the regime's attempts to broaden the scope and quicken the pace of "socialist" progress. To the doctrinaire Communist (like, apparently, Teng Hsiao-ping), deeply committed to the necessity for continued progress to newer and higher forms of "socialism," Teng Tzu-hui's position verged on the heretical and had to be attacked.

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There could be little doubt from Teng Hsiao-ping's "rectification" report that the pace of economic development in general, and agricultural development in particular, was to speed up. Teng noted that the draft national program for agriculture, which had been neglected in the emphasis upon "retrenchment" since late 1956, was to receive new emphasis. The program had been amended by the central committee, and "following the general debate in the countryside on the socialist and capitalist roads, another general debate on agricultural production centering on this program should be organized so as to bring about an upsurge this winter in agricultural production and construction ..." Teng then foresaw that the program would again be revised, discussed at a "congress of the party toward the end of the year," and then formally promulgated. Teng equated realization of the program with "stamina to struggle consistently against the trend of conservatism." The model year which was to be "affirmed" was that of 1956, said Teng, and while agricultural production had been carried out on "firmer ground" in 1957, the phenomenon of "lack of stamina must be corrected."

Teng Hsiao-ping noted that in the past most of the emphasis in propaganda and organizational work had been placed on industrial development, and that this had been "necessary and produced positive effects." But the time had come to stress the "important significance of the development of agriculture, and change the undesirable atmosphere which has emerged during the past two years." Teng cited the particular requirements in almost exactly the same terms as the planners had used in describing the 1957 and 1958 annual plans: "Increase our investments in the capital construction of agriculture (including water conservancy) and make every effort to expand the chemical fertilizer industry and other industries which can promote the development of agriculture."

In addition to underlining the necessity for strengthening the agricultural sector, Teng Hsiao-ping endorsed the three decentralization measures brought forth by the politburo at this meeting involving changes in the industrial, financial, and commercial systems. "The spirit underlying these documents," said Teng, "is to shift part of the power to lower levels so as to release local initiative, strengthen the leadership of the various enterprises and public institutions, and overcome subjectivism and bureaucracy." That there were dangers inherent in this change was noted by Teng in his reassurance that "at the same time it will not impair unified leadership and major construction projects."

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These two possible hazards probably represented the two major criticisms which could have been leveled during the 18 months of discussion which had preceded the announcement of the decentralization measures. The first assurance--that unified leadership would not be impaired--was an echo of the Kao-Jao case of 1954, in which party leaders whose power was based in part on regional party machines had threatened the national leadership. The second assurance--that major construction projects would not be impaired--was apparently aimed at calming the fears of those elements in the regime who feared diversion of state interest in and support of large-scale construction projects to less ambitious construction policies as the result of decentralization. Since major construction projects are the hallmark of the heavy industrial sector and the leaders of the heavy industrial ministries (including their logical spokesman, Po I-po) had refrained from all public comment on the decentralization proposals, heavy industrial circles seemed to be the chief beneficiaries of Teng Hsiao-ping's reassurance.

Teng also noted that the new regulations were not perfect, and that "they would be supplemented and improved in the course of being carried out." "New contradictions" might emerge when "some authority" was shifted to local levels; therefore, said Teng, "greater attention to strengthening planning and coordination is required." In addition, this shift of authority to local levels was to be bolstered by a transfer of party and government functionaries down to lower echelons as the result of what Teng called a "vigorous" retrenchment.

The "adjustment" of powers between central and local authorities, a minor topic in Teng Hsiao-ping's "rectification" report, apparently was the main part of Chen Yun's remarks before the second plenum of the party. The points which Chen deemed important in the decentralization remain unknown, as does his presumed presentation of the revised draft of the 12-Year Plan for agricultural development. In spite of Teng Hsiao-ping's rather sharp criticism at this plenum of three earlier policies with which Chen Yun had been associated, it was evident that Chen continued to maintain his position and influence as the regime's senior economic leader. The decentralization plan was to constitute a basic change in the economic administration of the regime, and the revised draft program for agriculture was to be the basis for the new emphasis given to agriculture in the regime's economic policies. The fact that Chen gave the report on decentralization (rather than Chou En-lai, who had initially

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noted the proposals in 1956) and the likelihood that Chen also made the principal report on agriculture (rather than Liao Lu-yen or Teng Tzu-hui, the customary spokesmen for agriculture) underlined his continuing strong position.

Excerpts from Teng Tzu-hui's speech at the plenum were published almost one month later. If Teng had either presented the revised agricultural program to the plenum or had commented on the relationship of the program to the situation in agriculture, these excerpts did not indicate it. For the most part, Teng reported on the proceedings of an early September national conference on agriculture and, unlike Teng Hsiao-ping, did not manifest either dissatisfaction with the progress then being made in agriculture or concern with "ideological backwardness" in the countryside.

Teng Tzu-hui's report categorized conditions in agriculture as satisfactory, and it contained little that was critical of trends in agriculture over the previous 18 months. The main point of interest in his speech was the proposal that the regulations of cooperatives, which limited the reserve funds of cooperatives to a maximum of 5 percent of income, be revised in order to enlarge the cooperatives' sources of funds for capital construction. In view of his past insistence that the income of cooperative members should show continued increases, Teng Tzu-hui's proposal appeared to indicate he felt that the situation in agriculture had stabilized and that peasant dissatisfaction with this move would be minimal.

Teng also repeated his earlier proposal for a "two-target" system in agriculture--under which a percentage of output would be given to the production teams if output exceeded the target and workpoints subtracted if output fell below the target. Teng's citation of the usefulness of incentives was carried over into his comments on hog-raising policies. Teng, noting that a decline of 17,800,000 hogs in China between the end of 1956 and March 1957 had been satisfactorily remedied, laid the resumption of growth in hog production to (a) increases in procurement prices paid to the peasants for hogs, (b) solution of the problem of supply of hog fodder, and (c) "the Center policy: 'private ownership, private raising, public aid as the main measure and collective raising as the subsidiary measure.'" Teng noted "restrictions in some localities" on implementation of these policies because, among other reasons, "it is argued that hog-raising will aid the growth of capitalist thinking on the part

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of co-op members, and the number of hogs is therefore limited to one or two head per household." Teng categorized this attitude as "incorrect."

Teng Tzu-hui's position at this third plenum was unique. Despite the "hard" line laid out by Teng Hsiao-ping, with its condemnation of complacency with current conditions and attacks upon individual policies which fostered the growth of the "capitalist" spirit, Teng Tzu-hui was able to continue his advocacy of moderate policy. However, his lack of association with the presentation of the revised Draft Program for Agriculture indicated that he was no longer the party's chief spokesman on agricultural policies.

The September 1957 plenum of the central committee was described by Liu Shao-chi in May 1958 as having "reaffirmed the need to adhere to the principle of achieving 'greater, faster, better, and more economical results' in building socialism," and credited this meeting with having "corrected" the main error of 1957--that of regarding "the leap forward of 1956 as a 'reckless advance.'" With six months of hindsight, Liu may have been overstating the decisiveness of the plenum; nevertheless, it was apparent from the plenum proceedings that the period of consolidation which had begun in April 1956 was over. The general atmosphere of the meeting, and in particular Teng Hsiao-ping's "rectification" speech, seems to mark the point where the regime tentatively embarked on a "new course" involving possibly far-reaching innovations in the state administrative system and agricultural policy.

In spite of some apparent differences between Teng Hsiao-ping and Chen Yun on past policies and more basic disagreement on the over-all situation between Teng Hsiao-ping and Teng Tzu-hui, the leaders appeared to be in general agreement that rapid progress was in order.

Exhortations for the Upsurge, Autumn 1957

The third plenum of the central committee closed on October 9, 1957; the two main topics--"rectification" and the revised draft programs for agriculture--were given additional prominence as subjects of a meeting of the Supreme State Conference on 13 October. However, Mao's remarks to this body, which is only called into session by Mao himself, were not published. For the rest of the month, propaganda and notices of meetings on the

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progress of "rectification" dominated the press. The organs of the central government--ministries, bureaus, commissions, and the state trading corporations--gave numerous accounts of how the "rectification of the style of work" and the "mobilization of the masses" was proceeding on to more advanced levels.

Two important bodies in which "rectification" was in full swing were the organ for annual planning, the National Economic Commission, and the long-range planning organ, the State Planning Commission. In the last week of October, both had large-scale meetings at which their respective chairmen, Po I-po and Li Fu-chun, summed up the campaign. In both organs, the key slogans which were to occupy the attention of the members were: "Expanding both industry and agriculture with priority to heavy industry," and "Industriously and thriftily constructing the nation, operating enterprises, managing cooperatives, and managing households." Both Po and Li emphasized the need to eliminate bureaucracy and reduce excess personnel.

For the most part these meetings in the two planning organs consisted of restatements of the clichés and slogans which accompanied "rectification" in the other organs of the central government. Given the purported objective of "blooming and contending" among themselves and "going to the masses" for criticism of their work, it would be expected that some, if not all, of the criticisms of planning work that had been made by the chief planners themselves in 1956 and 1957 would provide excellent materials for the campaign. However, there was little reflection of the admitted "past mistakes" in the published record of "rectification" in the planning organs.

There was, however, a somewhat different flavor in the approaches to implementing agricultural policy after the September plenum. On 16 October the role of chief spokesman for the regime on agricultural policy was filled by a comparative newcomer, Tan Chen-lin--one of Teng Hsiao-ping's deputies on the party secretariat. Tan "explained" the revised draft program for agricultural development to the rubber-stamp Standing Committee of the National People's Congress. Up to this time Tan had spoken on agriculture only once, in May 1957, when his article on the differential between worker and peasant livelihood had been given national prominence.

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Tan's exegesis was not published with the revised draft Program for Agriculture. The most meaningful revision contained in the draft was the addition of goals for chemical fertilizer production. The program called for an annual production goal of 5,000,000 to 7,000,000 tons of fertilizer by 1962, roughly double the 1962 production target of 3,000,000 to 3,200,000 tons which was contained in the Second Five-Year Plan proposals of 1956.

Some of the more grandiose goals of the original program were omitted, as were those sections on the organizational development of agricultural producer cooperatives which had been made obsolete by "rapid transformation." While the inclusion of increased chemical fertilizer goals was quite indicative of the regime's increased concern for agricultural development, the whole procedure of "revising" and re-publicizing the program appears to have been more a device for focusing national attention on the agricultural problem than a specific plan for actually solving the problem.

Tan Chen-lin appeared again as an agricultural policy spokesman on 26 October 1957, addressing a provincial water-conservancy meeting. The conference was to discuss the experiences of Honan in building small-scale water conservancy and irrigation works to offset the problems of drought and flooding which periodically occur in that province. The "summing up" of these experiences was to provide for a "bumper wheat crop" in 1958 and was to be "based" on the newly revised draft program for agriculture.

The very aggressive approach to the agricultural situation which marked Tan's presentation had not been evident since the height of the "socialist transformation" period in late 1955. Tan held up 1956 as a model year of effort in agriculture. In response to "mass demands," said Tan, "our party mapped out the 40-article draft outline," and consequently "a miracle occurred in our industrial and agricultural construction in 1956. Though we did have some defects, the achievements were great and principal." The "strength" behind this progress in 1956 was the "giant material force born of the masses' mastery of the party's policies and measures." This, however, had clearly not persisted. "Between July last year (1956) and May this year (1957) the guiding principles of 'better, more, faster, and more economical' and the 40-point plan have not been mentioned." Tan complained. "Why? Because some people cried, 'you are going too fast.' Some advanced elements were intimidated by this. Insufficient confidence is a kind of rightist thinking," Tan noted that this trend has been reversed and "progressive strength" recovered through the "socialist debate" in the countryside, the rectification campaign in organization, and the "antirightist" struggle.

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Tan strongly endorsed the party's emphasis on agriculture and the dependency of industry on agriculture. He emphasized, however, that industry remained the "mainstay" and pointed out: "We are not developing agriculture for agriculture's sake, we are developing agriculture in order to develop industry." Tan stated that the greater part of this increase in agricultural development was to come from the construction of medium- and small-scale water conservancy and irrigation works primarily through the efforts of the peasants themselves and not through state financial support.

Tan's report heralded another of the regime's annual campaigns to mobilize the rural population fully for water-conservancy and irrigation work during the season which, prior to 1949, had been called the peasant's slack period. The report was replete with examples of what "advanced" agricultural units had achieved through mobilization of their labor forces--including those of one district in Kansu which, normally beset by drought, had spent the winter piling snow and ice into ponds to assure themselves of adequate water during the growing season. Tan foresaw great things for these programs, and underlined his conclusion by pointing out that a happy alternative such as agricultural mechanization was not likely to present itself; the best that could be hoped for was improvement of existing agricultural tools through utilizing the "innovations, creations, and advanced experiences of the masses."

While Teng Tzu-hui appeared to have been eclipsed by Tan Chen-lin as the regime's chief agricultural spokesman, Teng was by no means inactive. He was noted attending various meetings around the country and speaking on agricultural problems on several occasions after the close of the September plenum of the central committee.

On 10 November 1957, in Shantung Province, Teng repeated Tan Chen-lin's statement that, while it had been "correct to lay emphasis upon industrialization in the past few years," not enough publicity had been given to the importance of agriculture. Teng stated, "We should try our best to carry out the policy of the third plenary session of the central committee of vigorously developing agriculture while giving priority to the development of heavy industry." Other parts of Teng's speech also were repetitions of Tan Chen-lin's statements, including emphasis on mobilization of agricultural manpower. "Only in this way," said Teng, "can the peasants' demands for livelihood and production be met, through full and rational utilization of human power

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throughout the year." The funds for developing agricultural production, irrigation projects, fertilizers, etc., "should be obtained from the public funds of the agricultural producer co-operatives"; the state would provide funds for larger projects and items like farm machinery.

Teng Tzu-hui made several other appearances during the last months of 1957, but in most cases his concern appeared to be with peripheral problems in agriculture such as the development of production in mountainous areas. Of more interest was the fact that none of his pronouncements had the aggressive tone of Tan Chen-lin's comments. While Teng endorsed all aspects of the September plenum's policy, and consistently advocated the maximum utilization of funds accumulated in the cooperatives, he still maintained the comparatively moderate approach to agricultural problems that had characterized the past 18 months. It was also apparent that Teng did not subscribe to Tan Chen-lin's criticisms of the handling of agricultural affairs during that period.

At the same time increased stimulus was being given to agricultural development, other statements indicated that the pace of development was picking up and that the forms of development were changing. After almost a year of comparative silence, Liu Shao-chi, speaking at a rally in honor of the 40th anniversary of the USSR on 6 November 1957, made it quite clear that speed was the order of the day.

After a long tribute to the various contributions made by the Soviet Union to the cause of socialism and a listing of the past sins of the bourgeois rightists in China, Liu proceeded to emphasize the tasks of the future. He predicted that the First Five-Year Plan would be "fulfilled and overfulfilled." While "we have already laid a preliminary basis for our industrialization," said Liu, "the material base of China's socialist system is still far from adequate." Liu was of the opinion that this could be completed in the course of the second and third five-year plans, "or a little longer," by carrying out the policy of "developing industry and agriculture simultaneously with continued priority emphasis on heavy industry."

Liu stated that there were two ways of accomplishing the task: "One way is to do things quicker and better; the other is to do things slower and aim at lower standards." Liu endorsed the former way, asserting that this had been the line of the central committee since the winter of 1955-56. Liu then proceeded

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to comment on instances where the central committee's (and his) advice had not been taken. Liu cited "some people" who, "under the pretext of seeking better quality and greater economy," were opposed to doing more at a greater speed and proposed to do less and go slower. He admitted that his position was perhaps not quite as simple as it looked, but said, "We are bound to commit mistakes if we doubt and reject totally, without making analysis, the slogan of achieving quantity, speed, quality, and economy." Liu paralleled Tan Chen-lin's October criticism of the past period with his own critique: "The facts in the last two years have proved that the vague doubt and rejection harbored by some people hinder the advance of our cause, damage the socialist initiative of the masses, and result not in the achievement of quantity and speed, nor in quality and economy, but in greater waste of manpower, money, and resources."

Liu Shao-chi concluded by thanking the USSR for making its experience and aid available to China. "In our construction," he said, "we must persist in learning from the Soviet Union, from its advanced experiences and advanced scientific knowledge and technology... To value truly this priceless asset requires that we adopt a correct attitude in learning from it in connection with the actual conditions in China."

Li Fu-chun, writing in People's Daily of 5 November 1957, also gave profuse thanks for the help of the Soviet Union in construction. Li likened China to the USSR in the early stages of its development and characterized the Soviet experience as "useful" to China. Like Liu, Li Fu-chun endorsed the policy of "simultaneous development of industry and agriculture, with priority to heavy industry." Li Fu-chun's formulation of policies in construction was somewhat different than Liu's: "Henceforth construction, while carrying out the guiding principle of depending upon our own strength for further progress, we must also strengthen mutual cooperation and close coordination with the Soviet camp."

This was an interesting difference in emphasis between the statements of Liu Shao-chi and Li Fu-chun. The "guiding principle of depending on our own strength for further progress" enunciated by Li was basically an echo of the carefully phrased conclusion that the "main purpose of socialist industrialization... is to build up... a comprehensive industrial system"--a conclusion contained in Chou En-lai's report on the Second Five-Year Plan proposals made at the Eighth Party Congress in 1956.

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While neither Li nor Liu denied the necessity for Soviet assistance in construction, only Li Fu-chun chose to emphasize that dependency upon the USSR was not envisaged.

As of November 1957, the lead in the second "upsurge" was publicly being taken by three party leaders--in order of appearance, Teng Hsiao-ping, Tan Chen-lin, and Liu Shao-chi--who had been discussed in earlier POLO papers as "party-machine" or "organizational" figures with similar backgrounds and apparently similar dispositions. They apparently were acting in accordance with the wishes of Mao Tse-tung, the driving force behind the "upsurge" of 1955-56. The three were being supported, in general, by the party's economic specialists--Chen Yun, Li Fu-chun, Li Hsien-nien, Po I-po, and Teng Tzu-hui--some of whom had been discussed in earlier POLO papers in terms of an "administrative" group around Chou En-lai, others of whom were regarded as "unaligned." The economic specialists, however, took a less positive and emphatic line than did the "party-machine" leaders and showed a greater sensitivity to actual and potential problems. In other words, in their public roles there was a distinction between the Exhorters and Threateners on one hand and the Technicians on the other, between those less directly responsible and those more directly responsible, which suggested at least the possibility of genuine and serious differences in their views as to policies and procedures.

Regulations on Decentralization, November 1957

The State Council's promulgation on 15 November 1957 of three sets of regulations for "improvements in the financial, commercial, and industrial management systems served almost as documentation of how the regime was, in Li Fu-chun's words, going to carry out "the guiding principle of depending on our own strength for further progress."

Of the three sets of regulations, those on the "improvement" of the industrial management system were principal, with the changes in the commercial and financial systems apparently auxiliary. The official explanation of the industrial management regulations indicated that the new regulations were to rectify "two main shortcomings." First, some enterprises were

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being controlled inappropriately by the industrial ministries of the central government, with the result that "the powers of the regional administrative authorities with regard to the allocation of materials, financial control, and personnel management have been too limited." Second, the administrative power of the individual managers of enterprises had been too limited, while the industrial ministries had "exerted too much control" over the affairs of individual enterprises.

The regulations did not envisage a wholesale shift of control: much as Chia To-fu had indicated at the Eighth Party Congress, the enterprises which were shifted to the control of local authorities were in the fields of light industry, food industry, and textile industry. Industrial activities expected from the change, and which were to continue to be controlled by the industrial ministries of the central government, were "large" heavy industrial installations and major transportation facilities. All others "suitable for transfer" were to be transferred "gradually." In addition, perhaps a source of unhappiness in the heavy industrial ministries was that "all enterprises" under the control of the ministries were henceforth to fall under the "dual leadership" of both central and regional authorities.

These shifts of control of enterprises down to local-level management, plus the planned increase in local-level participation in apparently all facets of industrial management, were not empty gestures. The second section of the regulations dealt with increasing the control of local authorities over the allocation of industrial materials; this appeared to give a local authority, such as a province, the power to balance the needs of both provincially operated industry and of ministry-controlled enterprises in its area of jurisdiction against supplies available within the province. The regulation made it clear that this over-all power was one of "balancing" only, for the existing system of centrally controlled application for and allocation of materials remained unchanged. The most concrete expression of widened authority to local organs was the proviso that material allocations for purely local-government-operated enterprises and joint state-private enterprises under local control could be handled by the local authorities. An incentive factor was added at this

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point: if locally operated enterprises could overfulfill the state plan for production of materials for centralized distribution, "a proportion" of the overfulfillment was to be set aside for that local authority's "disposal and use."

The third section of the regulations widened the extent to which local authorities could share in the profits earned by industrial enterprises. Thus, local governments were allowed to split the profits of former central government enterprises which had been shifted to their control, retaining 20 percent themselves and passing 80 percent to the central government. As before, local governments remained entitled to all profits earned by enterprises which had been locally controlled. Local governments were, however, barred from sharing profits of enterprises controlled by such ministries as Second Machine Building, Post and Telecommunications, Railway, as well as all "large" heavy industrial installations and water-borne transportation networks.

The fourth section of the regulations sanctioned an increase in the voice of local government authorities in control over, first, the personnel of enterprises transferred to local control, and, second (and more cautiously), the personnel of central government ministerial enterprises within the local governments' area of jurisdiction. This measure on personnel appeared to be the primary sphere where the system of "dual control" in central government enterprises envisaged in the regulations would be operative.

The second major section of the regulations dealt with the changes in enterprise management and administration. Chief among them was the reduction of the number of enterprise targets decreed and fixed by the national planning organs from twelve to four. In effect, however, the national planning organs retained effective control by the nature of the four targets they reserved to themselves--volume of production of principal products, total number of workers, total wages, and total profits. The power to set three of the remaining eight targets--total production of new products, quotas for technical development, and percent of cost reduction--were given to the central government ministries. The remaining five--total value of production, amount of cost reduction, worker attendance, average wage, and labor productivity--were placed in the hands of local authorities. The net effect of this reallocation of target-fixing responsibility appears to have been that of throwing the responsibility for reducing the costs of production on the shoulders of local authorities and enterprise

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managers, while retention of control of the four main targets by the national planning organs meant that over-all targets of output of principal products would be observed.

Other portions of this section of the regulations broadened the sphere of activity for local organs, yet maintained the over-all control of the central government. The state maintained its control of the four main targets in capital construction--total investment, number of above-norm projects, employment of manpower in construction, and volume of work in construction and installation; however, the local authorities were given wider latitude in utilizing local construction funds after meeting the above four targets. Similarly, the central government restricted itself to formulation of annual plans, leaving quarterly and monthly plans to the ministries and local authorities.

The regulations also contained a new system of sharing the profits of enterprises: first, between the central government and the ministries; second, between the ministries and their subordinate enterprises; and third, between the industrial departments of the various local authorities and their subordinate enterprises--all predicated on the assumption that the profit targets of the various enterprises were first achieved. The regulations made fairly clear that, for the most part, expenditures for technical and organizational improvements and for trial production of new products and labor safety, in the case of central ministry-run enterprises and locally run state-owned enterprises, would be assumed respectively by the ministries and local authorities, instead of being allocated as formerly from the central government budget.

The regulations also indicated, however, that the socialized sector of industry, the joint state-private enterprises, still constituted an organizational problem to the regime. "In view of the fact that in the past there were no established rules governing the allocation of the above-mentioned expenditures" for this type of industry, and "in view of the fact that a majority of the joint state-private enterprises are medium-size and small ones," the regulation stipulated, further study was needed before a system of profit-sharing could be instituted. The last section of the regulations gave widened powers to the management of enterprises to hire and fire workers as well as to readjust their tables of organization and personnel, "provided that the total number of workers and employees is not increased as a result."

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The "improvements" in the regulations of the commercial system paralleled those of the industrial system. They stipulated first, a merging of most of the two main commercial activities--commercial-processing enterprises and the procurement and distribution organs--into one "administrative-enterprise management joint organization." A system of "dual leadership" between the central and local authorities, much like that contained in the industrial regulations was advocated for the unmerged purchasing and distribution stations and processing enterprises, with the commercial departments of the central government maintaining "primary" and local authorities "secondary" control.

All enterprises engaged in the processing business, with the exception of "large" enterprises, were to be transferred to local authorities; nevertheless, production assignments, specification and quality of products, changes in productive equipment and capacity, and the rates charged for processing were set and controlled by the commercial organs of the central government. The central government retained control of four key targets in commercial work: purchasing plan, sales plan, total number of workers, and amount of profits--giving, however, a flexibility of 5 percent either way to local authorities in implementing purchasing and sales plans. Again, parallel with the industrial regulations, a system of sharing profits of various commercial enterprises between central and local government authorities on an 80-20 percent basis was stipulated.

The key area where little or no latitude was given to local authority was that of price control. The setting of purchasing and selling prices of agricultural and sideline products, which fell under the categories of planned purchasing, centralized purchasing, or unified purchasing, remained in the hands of the central authorities. Fixing of purchasing prices for industrial goods, whether under the centralized allocation system or the centralized distribution system, also remained a power of the central government. Similarly, the market prices of major and secondary commodities were to be set either by the central government itself or by local authorities "in accordance with the price policies of the different commercial departments."

Local authorities were also promised that they would be allowed to share in the foreign exchange derived from the export of industrial and agricultural products "above the stipulated quotas." Here, as in the case of the profit-sharing system, the local authorities were apparently given inducements or incentives to exceed targets.

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The most striking impression of these regulations on the industrial and commercial system is their increase of incentives to local authorities for increases in production or improved control of local production. The incentive factor lay in the widening of the sphere of local operations--the new participation in profits generated by enterprises, and the increase in the responsibility of local government organs in such lesser fields as personnel and material allocations and the subcategories of the planning process.

In many respects the best illustration of new incentives--which might best be called bureaucratic incentives--is contained in the "improvements" in the financial system.

The text of the announcement of the new financial regulation described the significance of the change as lying in:

"The clarification of the boundaries of the income expenditure of local finance, in the appropriate increase in local powers in financial control, and in the increase of local authority to use finance and resources flexibly, under the condition that the fulfillment of major state construction projects is guaranteed, for the further development of local enthusiasm in accumulation funds, increasing income, and conserving expenditure, to stimulate the development of state construction as a whole."

The "appropriate increase" in financial powers lay, first, in the introduction of a new category of local income--that derived from sharing with the central government the profits of both the enterprises transferred from the central government to local authorities and those which remained under central government control. The regulation stipulated a trial period, in which each local organ was to establish a balance between its expenditures and income; a portion of any surplus resulting was to be passed on to the central government. In the case of deficits, the first measure was an expansion of the local organs' share of profits of enterprises split, "as a rule," with the central government on a 20-80 percent basis. If the locality was still unable to achieve a balance, the central government would then allocate a portion of the funds derived in that local area from commodity and income taxes, state bond proceeds, etc., to the local government. If this did not result in a balance between income and expenditure, the central government would then provide aid through direct allocation.

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The second "appropriate" increase in local powers of financial control, also with an incentive effect, lay in the provision that, after the period of "clarification" of budgets had passed and the various localities had established their balances between income and expenditure, any future surpluses achieved by the localities through execution of these budgets were to be retained by the local authorities.

These changes mark the point at which, after 17 months of discussion and apparent experimentation, something of a systematic approach to major modifications of past economic policies began to take form. The "errors" of the planners in 1956--of slighting existing established industrial facilities and not giving proper weight to the importance of constructing medium- and small-scale projects--apparently could not be fully rectified until the regime was organizationally prepared and capable of controlling their development. This is essentially the meaning of the regime's explanation of the two disadvantages which were to be rectified by these regulations. First, the central government ministries' responsibility for an control over extremely diverse and often small and inconsequential enterprises was to be passed over to local authorities, who were presumed to be in a better position to handle the problems of these enterprises. The second disadvantage, that of "too much control" over individual managers of enterprises by the central government ministries, was apparently to be remedied by closer coordination and cooperation between individual enterprise managers and the local authorities. These changes appear to have been aimed primarily at rationalizing operations in existing small- and medium-scale enterprises. If in the future, however, any policy of constructing small- and medium-scale industrial enterprises on a large-scale were fully implemented, these regulations indicated a method by which the local authorities could bear large portions of the costs of construction.

It was also apparent that the central government planning organs were to be relieved of a number of time- and manpower-consuming responsibilities through the reduction in the number of plan targets for which they were responsible. Nevertheless, the target-setting powers retained by the central planning organs, and in similar fashion the retention of price-control powers by the commercial departments of the central government, guaranteed over-all central government control over all phases of economic activity. People's Daily on 18 November noted that:

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"Plans must not be rigidly determined; otherwise it would be very difficult for them to comply with reality, and their implementation would also be very difficult. Accordingly, even in plans in which centralization is essential, there can be only general outlines of major items, with the more detailed parts left to local authorities to work out according to their own conditions. Such being the case with plans, the other things, to be sure, offer no exception.... In the interests of efficient centralization, power must be delegated to a certain extent to local authorities...such delegation of power to local levels may look like a weakening of centralization but, in effect, serves to strengthen it."

This last sentence of the quotation above had ramifications which were not emphasized by the editorial: within the framework of over-all central control, the local authorities were given some increase in their power over and responsibility for economic affairs. It was also apparent that incentives --in the form of more diverse spheres of activity, somewhat greater participation in the decision-making process, and probably, eventually larger increments of funds at their disposal-- were provided, which, as the Communists themselves put it, "stimulated local enthusiasm" for carrying out economic tasks. If the provision of incentives to local authorities developed their "enthusiasm" for increased efficiency in administering both their existing economic enterprises and their newly acquired enterprises, it would follow that these same incentives would stimulate these local authorities to enlarge their spheres of activity by every means at their command. Such an enlargement would presumably lead the local authorities to make sure that no productive or potentially productive economic activity in their respective areas escaped their control. In other words, such unsocialist phenomena as the "unregistered" or "clandestine" factories and participants in the "free market" might more easily be brought under state control than in the past, through the agency of the local government authorities. People's Daily's comment that these measures strengthened centralization was perhaps appropriate.

These "improved" regulations were admittedly trial ones and were largely limited to light industrial activity. They

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were, however, well thought out and constituted a first step in a new direction for the regime. People's Daily, in a reference to Mao's April 1956 speech, credited him with "pointing out this question" at that time and noted that discussion of these changes had been under way for "more than one year" from that time. The improvements were, of course, "fully correct." As might also be expected, People's Daily cited these improvements as providing "considerable assistance to local authorities to greet the production upsurge and to organize the production upsurge." The construal of these regulations as a means of "organizing" this upsurge was to become most important four months later, when the "upsurge" became the "great leap forward."

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SECRETThe Eve of the "Leap Forward," December 1957

Liu Shao-chi, opening a Trade Union congress on 2 December 1957, sounded a note of ebullient optimism about China's economic future. Speaking "on behalf of the central committee," Liu called for the regime to "Forge ahead at full steam." He asserted that the USSR would be "able to catch up with or surpass the United States" within 15 years and stated that "we, on our part, should strive to surpass Britain with respect to iron and steel and other major industrial products" within the same period. Liu's new slogan, "Catch up with Britain in 15 years," was almost immediately picked up and blended with the other exhortations that were accompanying the "upsurge."

Li Fu-chun, addressing the same congress five days later, gave a more balanced view of the new atmosphere in economic affairs. Li gave the congress a review of the First Five-Year Plan results, noting that achievements were primary; mistakes "secondary." He cited estimates that industrial output over the five-year period would exceed the target by 17 percent and that capital construction investment would exceed it by 13 percent. Li mentioned that heavy industrial development had been most pronounced over the period, but that the regime had "also tried" to develop agriculture, forestry, and water conservancy. What had been done for the masses, he said, was the "very best that could be done under the conditions." All in all, the regime had succeeded in achieving "well-balanced development," despite "extremely weak foundations," by "making full use and reconstruction of existing enterprises."

Li resurrected the old criticisms of the "mistakes and shortcomings" of the planners, including mishandling of the "inter-relationships" between the different branches of the economy and between "different localities," and "dislocations in target-setting." Li's main concern, however, was with the future. Li foresaw the "establishment of a basically complete and integrated industrial system" by 1969, because the "establishment of a socialist system paves the way for the full development of productive forces." This "full development" was to result in a "new upsurge" in 1958.

Li Fu-chun described the party as having "consistently taken a positive promotional attitude of opposing passive and conservative attitudes." He cited as one example the central committee's "winter 1955" policy of doing "more,

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faster, better, and more economical"--to which Li ascribed the "upsurge" of 1956.

The party's wisdom was being applied to the problems of the Second Five-Year Plan and was currently represented, said Li, by the "central committee policy of simultaneously developing both industry and agriculture while giving priority to the development of heavy industry." This formulation of policy, he said, was "the current way to carry out socialist industrialization." Li gave the impression that there had been changes in the Second Five-Year Plan, but that, since the "targets were not yet all finalized," he could not go into any great detail. While the second plan was "still based" on the proposals and Chou En-lai's explanation of the plan at the Eighth Congress in 1956, in consequence of the implementation of two annual plans since then "our understanding of the country's economic condition and experience in construction has increased. For this reason a certain adjustment should be made in regard to the formulation of concrete tasks and targets under the Second Five-Year Plan."

At the end of his speech, Li Fu-chun cautioned against what was apparently an overly enthusiastic implementation of some of the new elements of economic policy:

"...In carrying out this work we should not only take into consideration the need for improving livelihood, but also meet the needs of the state in construction.. not only the need for developing various construction programs in general, but also meet the needs of the state to give priority to the development of certain major construction projects in particular; not only pay attention to the construction projects which have priority in the localities, but also meet the needs of the construction projects of the government... In short, in arranging for the solution of problems in production, construction, labor, and people's livelihood, we should always assume an over-all viewpoint..." (Underlining supplied.)

This quotation is interesting for two reasons. First, Li's "but" clauses seemed to indicate that the new, if somewhat limited, vistas opened by the regime--the stimulation of increased activity on the part of local authorities, and the regime's recognition of the virtues of small-scale industrial construction--were beginning to animate excessively a large segment

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of society. As will be indicated later, an excess of enthusiasm was also afflicting a number of the top leaders of the regime.

The second interesting feature of Li's statement was the order of priority used in the last sentence of the quotation -- "production, construction, labor, and people's livelihood." This was a complete reversal of the priority which Li, as well as Chen Yun, Li Hsien-nien, Po I-po, and Chia To-fu, had emphasized during the first six months of 1957--people's livelihood, production, and capital construction.

Li Fu-chun commented again on the "more, faster, better, and more economical" line in an article, presumably written in early December 1957, which appeared the following month in Planned Economy. Again Li showed his sense of the need for balanced development. He criticized that "conservative thinking" which wished to keep production at a low level or which failed to "discover latent capacity." He went on, however, to criticize also the "incorrect understanding" which would urge construction "at a greater and faster pace in every department, every region, and every sector." Similarly, Li derided those who "do not take into account objective conditions," who "do not understand that we must proceed in accordance with the law of planned, proportionate development..." Li described these latter two groups as manifesting, respectively, "rash advance" and "superficially activism but in fact conservatism."

Despite the cautionary remarks by such leaders as Li Fu-chun, the atmosphere of "retrenchment" and "readjustment"--which had characterized the period from the party plenum of November 1956 to the plenum of September-October 1957--had been completely dispersed by December 1957. The leaders of the regime, Li Fu-chun among them, had decided and confidently embarked on new courses of action. The reconsignment of "people's livelihood" to the bottom of the list of national priorities indicated, as it had in the "upsurge" of 1955-56, an increase in the pace of development.

A second national planning conference met in the first two weeks of December 1957 to consider the 1958 plan. The summary of this conference stated that the 1958 plan targets were now "much higher than the level set forth in the control figures for the national economy in 1958 calculated by the July national

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planning conference." The guiding principle of the 1958 plan was reaffirmed to be that of "developing industry and agriculture simultaneously, with priority given to the development of heavy industry."

December saw a flurry of speeches by party leaders to various audiences on the prospects for 1958. Speeches by Chia To-fu, Liao Lu-yen, Tan Chen-lin, Po I-po, and Chu Te were representative. Chia was more moderate in tone than the others.

Chia To-fu, speaking on 17 December 1957, provided some information as to where the policy of building small-size industrial facilities was having substantial impact. Chia noted that "cooperativization" had enabled the state to "integrate handicraft production with the state's industrial production plans." He warned, however, against "hasty merging" of small handicraft cooperatives into larger ones or their conversion into "state workshops" unless they were producing goods suitable for mass production. The others were to remain "scattered and flexible," serving the people. Chia implied that this merging, as well as "mechanization" of handicraft producer cooperatives and their transformation into state-operated enterprises, was being undertaken to develop small-scale industrial facilities. In any event, Chia did not consider their development feasible, as the wage and welfare systems of state-operated industrial enterprises were "too heavy" for them.

Chia gave a short summary of "accumulation versus consumption" policies in the handicraft cooperatives. After socialist transformation in 1956, the policy had been that of "giving top priority to increases in wages, second to medical expenses, and third to accumulation"--a policy which had "been correct at that time." However, "a number of cooperatives failed to understand the true meaning of this measure. After having developed production and increased profits, a spontaneous capitalist tendency peculiar to petty producers developed among them." This, of course, had to be rectified. Chia's comments had the same implication as had Li Fu-chun's earlier speech: that the old priorities which placed either wage increases or livelihood first had been changed to ones which gave priority to accumulation for increased production.

Minister of Agriculture Liao Lu-yen who had been notably silent for 18 months, commented on "rectification" in agriculture on 26 December, following the aggressive line in agricultural

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policy that Tan Chen-lin had laid out in October 1957. Liao repeated the pattern of "socialist upsurge in 1955" bringing on the "productive upsurge" of 1956, and he condemned the "small typhoons" of late 1956 and early 1957 that had smashed the policy of "more, faster, better, and more economical" and the implementation of the 12-Year Program for agriculture. Liao emphasized that the changes brought about by "socialist education" in the countryside and the renewed emphasis on the 12-Year Program in the last half of 1957 had caused "no great losses" in the rural areas; in fact, a "new upsurge" was developing.

Liao called the production of food crops the determining factor in controlling the pace of development of industrial crops. This, said Liao, "is at variance with the thinking of some peasants, especially well-to-do peasants, who are interested only in growing those crops which bring the most income and are unwilling to obey the plans of the state. They demand that the state supply them with food when they do not have enough to eat. This is a sign of spontaneous growth of capitalism among the peasants--a tendency which must be eliminated." It was apparent from Liao's comments on agriculture and Chia To-fu's on handicraft cooperatives that the "rectification" and "socialist education" treatments were still not too effective as fungicides for these recurring breakouts of "spontaneous capitalism."

Liao also noted that the 1956 policy on distribution in the agricultural producer cooperatives--that of setting aside "the minimum amount of public reserve funds and distributing the maximum amount of cooperative income among the members"--should be reversed, as Teng Tzu-hui had suggested in September 1957, lest "the work of building up the communal capital of the cooperative be jeopardized...which in turn will jeopardize the carrying out of capital construction." Liao equated the "typhoons" of 1956-57 with the opposition of well-to-do peasants, who represented "conservatism." Like Chia To-fu with respect to handicraft cooperatives, Liao disapproved of this situation in agriculture. "It is incorrect to show yielding or show lethargy before wind and waves," said Liao. It was particularly wrong to be conservative "after Mao and the central committee have repeatedly given us the necessary encouragement."

Liao Lu-yen endorsed Teng Hsiao-ping's statement that 1956 was the year to be "affirmed." While agricultural work in 1957

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had been "commendable," he said, the spirit of 1956 was what was needed. Liao cautiously endorsed the concept of "advanced experiments," but suggested that such new ideas be fully proven before large-scale dissemination, lest "tremendous loss ensue." Liao was evidently referring to the new, and sometimes rather radical, technical policies which the regime was being offered by the "masses."

The primary task for which Liao and other agricultural leaders were "mobilizing the masses" was that of constructing water-conservancy and irrigation projects. Campaigns of this type had occurred every winter since at least 1953, but the scale and thoroughness of the campaign in late 1957 exceeded those of earlier years. Throughout December, all of the agricultural leaders--Liao Lu-yen, Teng Tzu-hui, and Tan Chen-lin--encouraged the movement.

Tan appeared at various provincial and national forums on water conservancy and apparently continued to concentrate on the benefits of utilizing labor on a large scale for such projects. On 21 December he singled out several "special characteristics" of water-conservancy work.

The first special characteristic was that socialist transformation had "enabled us to solve problems concerning the labor force needed for the construction and repair of irrigation projects, as well as the land, materials and capital for these projects." Tan indicated that the drive in 1958 was both broader and more carefully planned; "in the past," water-conservancy projects "were carried out by a single cooperative or by a hsiang...now it has even developed to the scope of a province, with a unified plan and the united action of an entire province." Tan noted this widespread movement was only possible as the result of the "cooperativization" of agriculture. Tan also cited "the experience" gained in the last two years of rural work and the ideological impetus provided by "socialist education, (which) raised the consciousness of the broad masses of peasants."

Several months later, this mass movement for water conservancy and irrigation was to be described as one of the primary reasons for the exceptional 1958 harvest. Further, this movement--in particular its development within the "scope of a province" rather than in the lower levels of rural administration--was cited by the regime as one of the factors leading to the formation of "communes."

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On 19 December, Po I-po reported on the progress of "rectification" in the economic departments of the central government. No text was available at the time, and it was not until March 1958 that Study published a version with some "deletions".

The largest portion of Po I-po's report was concerned with the statistical grounds for central committee's goal of overtaking Great Britain in iron and steel production in 15 years. The attainment of the goal was very much dependent on the attitude of economic departments toward production; the "rectification" of these attitudes was the subject of the rest of Po's report. This part of the report was informative, because Po outlined the types of attitudes, prevailing in the economic departments in the past, which were being "rectified." Moreover, Po made a number of proposals which were later implemented and were basic to the "great leap forward."

Po began by considering the "road to industrialization" as laid out by Mao in his "Ten Relationships" speech of April 1956 and his "contradictions" speech of February 1957. Po summed up the "road" in the current formulation of "simultaneous development of industry and agriculture with priority to heavy industry." He went to some lengths to point out that "simultaneous development of agriculture and industry must not be considered as opposite and contradictory" to the policy of priority to heavy industry. Nor should it be considered that with "prior development of heavy industry there is no longer the need of simultaneous development," he said, for the two policies were "mutually related." Po's criticism made it appear that the heavy industrial ministries were the chief areas where this attitude had to be "rectified."

Po I-po's earlier silence on the so-called "decentralization" measures ended with this report, and it was apparent that he now was among those who favored the "passing down" of authority that had taken place in November 1957. Thus one of the "chief ways" to implement the "simultaneous development" policy was, in Po's words, to "handle properly the relations between the central government and the localities, between the coastal areas and the hinterlands...Except for making over-all arrangements and looking into only important economic enterprises, the central government should give more economic enterprises to the local authorities to run." This statement, coming after Po's earlier silence and the fact that the November decrees had been restricted almost entirely to light industrial

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facilities, suggested that Po might have changed with the wind and now was in the position of advocating a further "passing down" of authority which heavy industrial circles might not find agreeable.

Po also discussed "the rational use of construction funds." A "special subject for rectification" was the attitude of economic personnel toward the "policy of building the nation with industry and thrift." Po stated, "Facts have shown that the above-mentioned policy is still far from being well-implemented, and great potentials have been left untapped in capital construction. Too large a scale, too high a target, and an excessive desire for modernization have combined to prevent us from tapping these potentials." All this was to be "burned out" by "rectification."

Po then listed 11 points which he estimated would save 20 percent of capital construction funds if implemented. All but one were familiar rephrasing of prevalent cost-cutting measures. Po included such items as "full utilization of existing enterprises" and the medium- and small-plant construction policy, and he further endorsed a measure for "boosting" the organizational and planning work for capital construction:

"Some comrades suggest that most of building work be left to the local authorities, and that the relevant central government departments take charge of only specialized large building enterprises and be charged with the responsibility of balancing and distribution. I regard this as worth considering."

This suggestion, again, implied an even further "passing down" of authority than that implied in the November decrees, and constituted a potentially large contraction of the activities of at least two heavy industrial ministries--the Ministry of Construction and Engineering and the Ministry of City Construction. In this case of construction, as in the case of the possible "decentralization" of other heavy industry above, Po's comments were harbingers of developments of spring-summer 1958.

Po I-po's report included a review of the years 1956-1957 and attacked the "conservatism" manifested after the "upsurge" of 1956. Po offered a lengthy and almost plaintive description of the problem of "conservatism":

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Countless facts prove that if our industrial production plans were made a little more advanced, they would better be able to bring into play the activism and creativeness of the broad working masses, while plans made conservatively would produce reverse effects. To this point those in charge of our industrial and economic departments should pay particular attention. We all know that the plans mapped out by many of our enterprises often exceed those of state planning organs and the organs in charge, while those drawn up by the workshops and workers often far exceed those set by the enterprises. Naturally such spirit of each surpassing the target of the other is very good, normal, compatible with the law of economy, and should henceforth be followed. But as far as the responsible departments of industry and economy are concerned, why cannot they fully estimate the activism and creativeness of the masses, why cannot they organize such activism and creativeness in the state plans, and why cannot they fully tap what potentials there are in the enterprises and have more advanced plans formulated on which to accelerate the speed of development of our national economy?... Why is it often impossible for state planning organs and certain responsible departments to set a comparatively higher target? There may be various reasons, but the lack of a correct grasp of the problem of "balance" and the fear of a possible imbalance is one of the major causes.

This "fear of imbalance" should not exist, said Po, because Chairman Mao (in his "contradictions" speech of February 1957) had pointed out that such "imbalances" in economic growth, when properly handled, resulted in a new "balance" at a more advanced level. Po noted that it was "correct" to expect that "our economic and planning personnel" would be people who, when an imbalance occurred, would "push the backward" factors up to the level of the "advanced," rather than the reverse.

Po I-po's phrasing of the problem and his outline of the "correct" philosophical approach to planning suggested that "conservatism" of this type remained fairly widespread. A partial remedy of the problem was to be attempted in the announcement of a "two-target" system of planning in May 1958. In this system the central government set targets ("number 1") which were "reasonable" and "certain to be met"--and which, in all probability, exhibited that "balance" so dear to the hearts of the planners. These targets were then sent down to lower levels; these levels then would send a second set of targets--categorized as "always

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meeting and usually exceeding" the originals--back up to the central government level as the "number 2" targets. There is little information on the extent and operations of this system, and virtually none as to what use the central planners found in these "second targets." The apparent compromise implicit in the "two-target" system of May 1958, however, suggests that the type of attitude criticized by Po I-po in December still existed five months later.

In his December report on rectification, Po I-po spoke to the "economic and planning" personnel of the regime almost as an outsider, one dissociated from their "errors and shortcomings." At the end of his presentation, however, he made a comment which seemed more appropriate to his position as a prominent economic planner: "We do not intend to negate what we have achieved in the past; we want to affirm the success we have scored. Nor do we in any way regret what we have already done."

This collective lack of "regret" can be read as a reminder to those who had attacked, and were to continue to attack, the "retrenchment" of 1957 as "conservatism," that the policies pursued in that period were for the most part necessary. The general implication here, as in all other "self-criticisms" voiced by the planners themselves, is that while some aspects of "retrenchment" admittedly had been carried too far, the absolute need for a "breathing spell" or period of consolidation after the "upsurge" of 1956 had been endorsed by Mao himself and remained a valid proposition.

During December, Mao Tse-tung (then traveling about China) was being associated with the exhorters principally through his old comrade Chu Te, who was staging a "leap forward" of his own in speech production. Chu took the most aggressive line of any party leader. He called for maximum effort, for "positiveness" instead of stability, for "tense struggle" instead of easy living. He "sternly repudiated" those who questioned this position. Chu publicly introduced the term "great leap forward" in declaring that conditions were present for a "great leap forward" in agriculture.

As of late December 1957, most of Mao's lieutenants--including most of the economic specialists--apparently remained in agreement that the problems of 1956-57 had been generally resolved and that the 1957-58 "upsurge" would have a more firm economic foundation than had the upsurge of 1955-56. There also remained, however, a difference in tone between the remarks of an exhorter

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such as Liu Shao-chi or Tan Chen-lin and a technician such as Li Fu-chun or Po I-po. There even remained differences between two technicians, e.g. Li and Po. There is a contrast between Li's "but" clauses and other cautionary remarks--which seem good manifestations of the "conservative" sense of "balance"--and Po's advocacy of more radical changes in economic organization and economic "attitudes." As late as April 1958 the press would still be harping on the problem of rectifying "negativism" and "inactivism," as well as the undue emphasis on "mechanical balancing," in Li Fu-chun's National Planning Commission.

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The "Upsurge" Becomes the "Leap," January-February 1958

People's Daily, official organ of the Chinese Communist party central committee, opened the New Year with a bang. Its lead editorial, following Liu Shao-chi's call a month earlier for the regime to "forge ahead full steam," was entitled "Full Steam Ahead!" It contended that the rectification campaign would release an "immense tide of growth" in industry and agriculture and all kinds of construction, it echoed Liu's call to overtake Great Britain in important sectors in 15 years, and it asserted that the party must lead the "unprecedented production upsurge" in the countryside.

Still following Liu's lead, the editorial exhorted the faithful to strive in all fields for "revolutionary enthusiasm and initiative, and for the elimination of the passive, skeptical, and conservative outlook." Asserting that the party's cause demanded "above all else, revolutionary optimism," the editorial concluded grandly: "Let us ride the Communist wind which prevails over rightist, bureaucratic and conservative ideas!"

Probably the most important feature of what People's Daily described as an "unprecedented production upsurge" in the countryside was the water-conservancy and irrigation campaign. The regime later estimated that 100,000,000 peasants were taking part in this campaign in the winter of 1957-58. This campaign seems to have been the area in which and January 1958 the time at which the "upsurge" began to be discussed in party councils as a nationwide "leap forward."

The party held a conference during January 1958 at Nanning in Kwangsi Province. The first explicit statement as to the nature of that conference came only in May 1958, in Liu Shao-chi's review. Liu described it as the first of two conferences directed to the problem of "combining centralization with decentralization," work which until then "was being carried out very slowly and not at all thoroughly."

Liu's account of the Nanning conference was augmented by Ouyang Chin, a provincial party secretary, in a July 1958 article in Study. Ouyang noted that the "spirit of the Nanning conference" had served "further to emancipate us from ideological thralldom and brought about a new high in the over-all leap forward." Since that time, Ouyang said, the party's work

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had assumed a "new look: many things not thought of before have appeared; many things that would have taken months or years to accomplish have been accomplished in a short time...."

Ouyang's account specified that Mao Tse-tung at Nanning set out "14 points for the formulation of plans for socialist construction." Curiously, Liu's May 1958 review does not mention Mao's role at Nanning. The evidence seems to permit only the modest conclusion that Mao at Nanning encouraged the "leap" and that the conference took an optimistic line and discussed a number of ideas for making decentralization contribute to the achievement of "greater, faster, better, and more economical results."

In the same period, Ko Ching-shih, first secretary of the party's Shanghai bureau (with responsibility in economic matters for much of East China), was inciting the workers of the area to go "higher and higher" in production. He also spoke to a Shanghai party congress, urging a struggle against "all conservative and backward ideas." Ko, who had earlier reflected the line of Mao, Liu Shao-chi, and Teng Hsiao-ping on "rectification," was again taking the line that he knew the dominant figures in the party to favor.

The National People's Congress met in February 1958 to hear primarily of economic matters and secondarily of foreign affairs. The three major speeches were made by Li Hsien-nien, Po I-po, and Chou En-lai, in order of appearance.

Li Hsien-nien reported on the implementation of the 1957 budget and on the draft budget for 1958. Considering that 1957 had begun as a year of retrenchment, the final results of the implementation of the budget were, as Li put it, "remarkable and encouraging," with both revenue and expenditure exceeding the plan figures and with a surplus of revenue over expenditure. Overfulfillment of the plan for revenue and reductions in expenditures, "thanks to the campaign for increased production and practicing economy," had allowed the state to put an additional 1.3 billion yuan into appropriations for capital construction.

Li repeated the current line that "political work serves the economic basis; it is the guarantee of economic work, and it is at the same time the commander and soul of economic work and all other work." Li again noted the "shortcomings" of

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personnel in financial and economic work. "When in the winter of 1956 we met with temporary local difficulties in the financial and economic situation, we made incorrect estimates on certain individual questions..but, the central committee of the party and Chairman Mao immediately pointed out to us the correct direction..; they assured us that as long as we persisted in mobilizing the masses in the campaign to increase production and practice economy, the difficulties at the time would take a marked turn for the better." Li finished up his consideration of the 1957 budget with a summary of the truly substantial progress made over the previous five years.

Li then gave an optimistic outline of the tasks of financial work in 1958. He referred to 1958 as a year which would "witness the amazing revolutionary power of the great nationwide rectifications in all fields." "At present," he said, "inspired by the slogans 'The success of five years is decided by what is done in the first three, and that of three years by the first,' and 'Fight tenaciously for three years,' the broad masses of workers and peasants and the working people as a whole are meeting the 1958 national plan with unprecedented labor enthusiasm..; the whole nation, full of energy and vitality, has been drawn into the high tide of emulation where the backward catches up with the advanced and the advanced makes further progress... Under these circumstances, a new forward leap in the national economy is entirely possible in 1958."

This was the point at which talk about an "upsurge" in 1958 in economic developments changed consistently to talk about a "forward leap," although Chu Te had used the term in December and Po I-po was later said to have used the same term in his own December speech. It was apparent that Li Hsien-nien's usage was restricted to the context of the plan budget for 1958. Li described his budget as one which opposed "any tendency toward conservatism..and marks a faster rate of increases in revenue and expenditure." This faster rate of increase--and, by implication, the "forward leap" envisaged by Li Hsien-nien--was approximately 7 percent, as compared with increases of approximately 3 percent in 1956 and 1957.

The remainder of Li's report centered on the agricultural problem and the virtues of the system of "passing down" authority in financial work to local levels. In agriculture, Li said that "we should turn the slack season into a busy one" and observed as an illustration of the thesis, that from October 1957 to mid-January 1958 "about 100,000,000 peasants in the countryside were daily engaged in water-conservancy projects." While Li noted

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that the state would make a 40 percent increase in state financial aid to agriculture over the 1957 figures, he placed more emphasis upon the idea that, "provided they are properly used, the peasant labor power as an investment, the reserve funds accumulated by the cooperatives, and the active support of the state, these three together are fully adequate to settle the problem of funds needed for a rapid development of agricultural production."

Li was enthusiastic about the prospect raised by the regime's decision to "improve" financial work by giving more latitude to local authorities. The "overcentralization" of earlier years had been "correct and necessary," but succeeding changes in the economic situation of China now made it "necessary and possible to change the past system of financial management...to extend suitably the powers and responsibilities of the local authorities in financial management, and, under the premise of ensuring progress of the country's key projects, to add to the financial resources at the disposal of the local authorities."

These measures were essentially the November 1957 decrees--with the modification, suggested by Li, that the local budgets should be fixed for five years after "clarification" instead of three. A similar extension period for the enterprise's profit-sharing plan was also suggested. It is apparent from Li's remarks that the "passing down" of authority was intended not as a transient phenomenon but as a major modification of the economic system, which was designed, as Li put it, "to help better bring into play the activity and initiative of local authorities."

While Li Hsien-nien's view of 1958 was cautiously optimistic and postulated a "great upsurge" as entirely possible," Po I-po's comments on the 1958 economic plan indicated that it was already well under way. Po summarized 1957 as a year of "great victories" on many fronts. It had been a "good year," with overfulfillment of capital construction by 6 percent, 7-percent increases in total value of industrial output and a 3.5-percent increase in agricultural production. However, economic achievements were not emphasized in Po's list of "great victories."

The "high tide for full airing of views," which had begun in the "last quarter" of 1957, had brought "socialist education" to all Chinese workers. "Since then," said Po, "the sense of responsibility of the working class as the leading class of the state has been greatly enhanced." The "sense of responsibility" had caused widespread reviews of the "working styles" of cadres,

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as well as the elimination of much "absenteeism" and other sources of waste. "This," said Po, "has changed the face of many enterprises and capital construction projects and has brought about a new upsurge in production and construction on the industrial front."

In agriculture, the revised draft program for agriculture and the water-conservancy and irrigation campaign had "given rise to a new upsurge in agricultural production...which is even greater in scope than that of the winter 1955-1956." Further, said Po, "Upsurges, and in particular the leap forward of 1956," were necessary to overfulfill the First Five-Year Plan.

Po characterized the development of China's economy as one which had had some "twists and turns." These had been overcome because of the leadership of the central committee and Comrade Mao. Po did not linger over the "inappropriate appraisals" made in some aspects of financial and economic work which Li Hsien-nien had cited in his report.

Po began his consideration of the 1958 plan with the exhortation to "strive for a new forward leap" in 1958. In answer to the theoretical question as to whether it was "possible," Po cited as "favorable factors" all the campaigns and slogans that Li Hsien-nien had mentioned, plus the "policy of developing industry and agriculture simultaneously, with priority to heavy industry." Po rhapsodized about these factors and concluded that the "current upsurge in production and construction in agriculture is certain, in particular, to bring about a new upsurge in industrial production."

Among the more concrete factors favoring the "upsurge" was the "improvement in the system of administration" which, Po noted, accomplished two things: first, in the localities, "more decisive efforts" could be made in utilizing local labor and resources and in "discovering various local potential forces;" second, the "central authorities will be able to concentrate their efforts to a still greater extent" on key projects and over-all development. Po I-po stated that from these factors and from developments in the "first two months of 1958...we can see that the trend for a new forward leap in the national economy this year has already become evident.

The goals for 1958 outlined by Po were reasonable and were more in the nature of a large step than a "leap forward." Capital

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construction investment was planned to increase 17 percent over the 1957 figure, agricultural production 6 percent, and the value of industrial output 14.6 percent. Po did note, however, that "it should be foreseen that the potentialities of local industries are very big and that, therefore this industrial target may be greatly surpassed." Po's figures were probably those set by the planning conference of December 1957.

Po devoted only a small portion of his report to "decentralization," but his treatment of "small- and medium-scale industrial construction" apparently assumed that the further "decentralization" he had advocated in December 1957 was to be implemented. Po cited the importance of "local, small, and medium" industrial construction in each of his sections on the 1958 plan for metallurgical, electric power, chemical, and building-materials industries. Much as he had assigned the construction of "small- and medium-scale industry" to local authorities, Po assigned the construction of "small-scale" water conservancy and irrigation projects to "individual agricultural producer cooperatives," "medium-scale" projects to "several cooperatives jointly," and "large-scale" projects exclusively to central government construction.

Po foresaw "a great possibility that the (1958) plan for increasing production will be overfulfilled and that financial income will be increased more than originally planned." Therefore, he said, "we have drawn up a waiting list of capital construction items" so that "when the state has finances and materials to spare," the "waiting" projects could be undertaken.

Po expanded and elaborated on his point of December that the leadership must "stand in front of the movement, relying fully upon the masses," and must "gather the opinions of the masses, amend and supplement plans on the basis of the opinions of the masses, and make the plans more progressive and more effective in mobilizing the masses." Even more strongly than in December, Po I-po attacked the adherents of "balances" in economic development and repeated his earlier statement that "our personnel in economic work should become promoters of progress for socialist construction and must not become either promoters of regression or promoters of the status quo." He illustrated the intimate relationship between "progressive" economic planners and the "masses" by noting that "the upsurge of industrial and agricultural production since last autumn has further proved that, in implementing any kind of economic plan, the targets originally considered as advanced become backward after the plan is put before the masses for discussion..."

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This was precisely the process by which the incredible targets which marked the "great leap forward" were later generated. Even Po I-po, maintaining a substantially more advanced position on the possibilities of a "leap forward" than other economic specialists, did not, and probably could not, predict the heights which the "great leap forward" of 1958 was to attain.

Chou En-lai followed Li Hsien-nien and Po I-po in reporting to the NPC in February. He adapted himself easily to the prevailing wind. Rectification had led to "great forward leaps" in construction. The noble spirit of socialism had conquered the "noxious spirit of capitalism" that for a time in 1957 had "run riot." China "rides the rising tide; it is driving full steam ahead...." However, Chou's report was almost entirely on foreign affairs.

Throughout February, People's Daily, which can generally be assumed to reflect Mao Tse-tung's position, encouraged a "leap forward." One editorial discussed the need to defeat conservative thinking in agricultural production. It observed that "a plan which can be achieved without much effort certainly cannot be called well-founded," and it called for achieving ten-year goals in five to eight years. Another hailed a provincial party congress for criticizing the "conservative idea of striving alternately for progress and consolidation"--an idea which represented "a lack of revolutionary spirit and enthusiasm...." The "backward" idea under attack also represented the party's own course in 1955-56 (progress) and in 1956-57 (consolidation).

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SECRETThe "Leap" Leaps, March-April 1958

On the last day of February 1958, People's Daily set the tone for the succeeding two months before the convocation of the second session of the Communist party's Eighth Congress, to be held the first week of May. The editorial urged the "upset of old targets" and the transformation of "balances into imbalances." Addressing the economic planners and the entire people, the paper urged them to "free ourselves from the ideological bondage of that vulgar theory of balances and courageously take a leap forward." 25X1

At about this time, the Communist party held its second party conference in three months. Like the Nanning conference in January, the March meeting was held in a provincial capital--this time in Chengtu, in Szechuan Province, the most populous in China. The first secretary of the party machine in Szechuan, Li Ching-chuan, was in effect the host for this conference.

The Chengtu conference was later described as having been convened by the "central committee and Chairman Mao" and as having brought together "responsible comrades of provincial and municipal party organs and of the concerned departments of the central government." Like the one at Nanning, the Chengtu conference was evidently concerned with making the decentralization policy contribute to the "leap forward."

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It was at the Chengtu conference, according to later accounts in party journals, that the party adopted the "new policy of simultaneous development of central and local industry," and its corollary, the "double-track planning control system." The latter nominally enhanced the coordination between central and local planning.

The Chengtu conference evidently discussed the prospects for the "leap." Tan Chen-lin, writing in Red Flag several months later, observed that it was estimated at Chengtu--presumably by the most optimistic--that the regime could achieve an increase in grain production of 20 percent, but "some expressed their doubt, feeling that the best we could do was 15 percent."

Mao Tse-tung's personal role at Chengtu was touched on, probably in a misleading way, by Tan. According to Tan, "Comrade Mao Tse-tung at the conference in Chengtu told the people there that they should work hard, but they should also take a rest." Tan went on to allege that party cadres could not prevail on the peasants to rest, "because they want to compete with one another..." There seems little doubt that Mao's emphasis, and the emphasis of the Chengtu conference, was on competition rather than rest.

The party cadres, possibly with the help of some unpublicized directives, soon got the message of the Chengtu conference. The speed of their response was indicated by a mid-March assertion, carried by Radio Peiping, that industrial output might rise by 33 percent in 1958--more than double the rate approved by the National People's Congress a month earlier.

Throughout March, "upsurge" and "struggle" meetings roared through the country. There were waves of progressively higher "struggle" goals in industry and in health, education, and culture. Construction schedules were greatly advanced, and a number of industries pledged themselves to overtake Britain in five to ten years instead of 15. The "overwhelming majority" of counties decided to fulfill five years ahead of schedule the main targets of the 12-year agricultural development program. An official of the Ministry of Agriculture said that China's agricultural output could rise by more than 20 percent a year.

It was occasionally conceded that not everyone shared these sanguine predictions. Almost the only official recognition that the cadres were being overzealous, however, was contained in a

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People's Daily editorial of 7 April. The editorial referred to the "method of work which relies on increasing the intensity of labor and prolonging work hours. While occasional adoption of this method for the sake of shock fulfillment of certain emergency tasks may be excusable, this is not the method which we should promote for adoption." The point of this passage--that the "leap forward" was intended to be not a "shock" campaign but a long-term effort--was lost in the welter of reports of the adoption of new and often incredible targets.

The State Council met on 11 April. Its agenda noted that the Communist party central committee and the State Council had jointly made a "decision on the transfer of industries and enterprises." This was a formal announcement of the decision further to "decentralize" which had been taken at Chengtu in March. The actual transfer was to be "gradual" and was to include all state-owned enterprises "except a few special and experimental ones." By June 1958, the regime could announce that 80 percent of the enterprises "previously controlled by the various industrial ministries" had been "handed over" to the local authorities, including virtually all enterprises formerly under the textile and light industrial ministries, and, "except for a small number of very large, special, or experimental enterprises, all enterprises under the ministries of heavy industry...."

The State Statistical Bureau on 14 April released the figures for the first quarter of 1958. It called them "unprecedented," and proof "of the complete truth of the slogan 'politics is the guide.'" The bureau's figures for the first quarter of 1958 had an illusory glitter, as they were compared with the first quarter of a very slow year--1957--rather than with the first "upsurge" year of 1956. In addition, little emphasis was placed on the fact that the scope of the 1958 plan was substantially larger than that of 1957. Nevertheless, various estimates--that total industrial output in the first quarter had fulfilled more than 25 percent of the annual plan as against the average 23 percent fulfillment of previous years, that central government industrial output was 26.6 percent above that of the first quarter of 1957, that local government industrial output was up 19.1 percent, and that the increase in value of fixed assets was 35 percent more than that of the first quarter of 1957--provided statistical fuel for stoking the fire of the "leap forward."

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People's Daily, reviewing the events of the past few months, on 27 April summed up the situation in the following words: "The problem now confronting us is to follow up the achievements made during the past several months and to continue our efforts to fulfill the plan for a great forward leap this year." This problem of evaluating the "leap" was to be the chief concern of the second session of the Communist party's Eighth Congress, which opened in Peiping on 5 May.

The party's economic specialists were silent during the leaping of the "leap" in March and April 1958. This in itself is not impressive evidence that they were out of sympathy with the way in which the "leap" was being managed, as there were no major pronouncements on economic matters in this period by party leaders of any type. However, some of the leaders--including Mao, Liu, and Chou--were reported as encouraging the "leap" in various ways at various points in their travels. Some others, including Lu Ting-i and Chen Po-ta, both spokesmen for Mao, wrote articles encouraging the "leap" in political matters. It is of some interest, at least, that the economic specialists in this period did not find occasion to associate themselves publicly with the leap's headlong course.

In the period before the party congress, party leaders were deciding upon a number of personnel changes: these were announced during and immediately after the congress. Some of these changes represented demotions, and some of these demotions were for opposing, or for failing to support strongly enough, the "leap forward." Party leaders in 11 provinces were demoted, including three alternate members of the Communist party central committee. One of these three was expressly accused of dragging his feet in the "leap."

The more important personnel changes--not announced until May--affected the party's politburo and secretariat. Three men were selected to join the politburo, each as a full member. They were: Ko Ching-shih, first secretary of the party's Shanghai bureau, who had been active in both the "rectification" campaign and the "leap forward"; Li Ching-chuan, the party's first secretary in Szechuan, who had been the host to the Cheng-tu conference; and Tan Chen-lin, who had emerged as the party's principal spokesman on agriculture and rural work.

Ko, Li, and Tan seemed to be close to Mao Tse-tung and the "party machine" leaders, Liu Shao-chi and Teng Hsiao-ping. Ko and Li were among Mao's few traveling companions in March and

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April; Tan, out of the news in this period and presumably preparing his report for the coming congress, had begun his career as a protege of Mao's. Similarly, Ko and Li had the most important regional posts in the party machine directed by Liu and Teng. Li had been one of Teng's lieutenants in the southwest, and Tan had been one of Teng's deputies in the secretariat for three years. The selection of these three men for the politburo seemed to illustrate the continuing domination of the party by Mao and his "party-machine" lieutenants, and the importance of the regional and provincial administrations in their plans for the "leap."

Two of the party's economic specialists--Li Fu-chun and Li Hsien-nien--were selected to join the party secretariat under Teng Hsiao-ping. They apparently were selected to improve the secretariat's capabilities for supervising and coordinating the party's complex work in their fields of long-range planning (Li Fu-chun) and finance, commerce, and trade (Li Hsien-nien). The secretariat already had Tan Chen-lin to coordinate the party's work in agriculture, and Li Hsueh-feng to coordinate party work in industry and communications.

The three appointments to the politburo seemed to reflect the influence of those who had been foremost among the exhorters in the development of the "leap," but this is not to say that they were selected in order to strengthen the position of the exhorters in a struggle with the administrators and economic specialists. If the latter had been the primary motive, the "party machine" leaders would not have simultaneously approved the addition of two of the most important economic specialists to the secretariat which would implement the politburo's policies.

The simplistic explanation would seem further discredited by the failure of the party leaders to advance Po I-po. Although Po had become one of the exhorters, he remained an alternate member of the politburo and was not added to the secretariat.

In any case, whatever "struggle" there may have been between the exhorters and the technicians seems to have been resolved in the exhorters' favor at the Chengtu conference in March. As disciplined Communists and long-time comrades, Li Fu-chun and Li Hsien-nien could reasonably be expected to do their best to implement the party's "general line," even if known to disapprove of certain features of it. On the other hand, assuming that the two Li's had been among those at Chengtu who expressed reservations about the "leap," they could be expected to retain those feelings until persuaded by events.

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SECRETThe "Leap" Dominates the Party Congress, May 1958

The party's preoccupation with the "leap forward" seems to have been primarily responsible for the postponement of the second session of the party's eighth congress, which should have been convened during 1957, until May 1958. The session immediately followed the fourth plenum of the eighth central committee, which adopted the reports to be made to the congress.

Mao Tse-tung, Liu Shao-chi, Chou En-lai, Chen Yun, Teng Hsiao-ping, Li Hsien-nien, Po I-po, and Tan Chen-lin were among those cited by Peiping as speaking to "plenary meetings" of the congress. The three major reports were delivered by Liu Shao-chi, on the work of the party central committee; by Teng Hsiao-ping, on intrabloc relations; and by Tan Chen-lin, on the development of agriculture. The reports of Liu and Tan--both concerned primarily with economic policies--were the only texts released by Peiping.

Liu Shao-chi began his long report with a review of the world scene in terms of Mao's proposition, stated in Moscow the previous November, that "the east wind has prevailed over the west wind." He hailed the results of "rectification" in China and observed that the campaign had "brought about a new upsurge in production and construction" throughout the country. This "great revolutionary drive," said Liu, was in accordance with Mao's call for overtaking Britain in 15 years and for "pressing ahead consistently to achieve greater, faster, better, and more economical results." (In fact, neither of these calls had been attributed to Mao when they first appeared.)

Liu then reviewed briefly the "leap forward," which he dated from early 1958. He offered statistics on the regime's accomplishments, dating from the formation of immense labor corvées in irrigation work the previous autumn, to illustrate the truth of Marx's alleged prophecy (taken out of context) that 20 years could be concentrated in one day. Liu then reconstructed the development of the party's "general line"--a line identical with Mao's alleged insistence on "pressing ahead consistently to achieve greater, faster, better, and more economical results."

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Liu asserted that Mao had always favored the current general line. He pointed to Mao's decision in 1955 to speed the socialization of agriculture. He then noted, truthfully, that there had been some opposition to Mao's policy at that time. The opposition took the view that "'keeping to the right is better than keeping to the left,' or 'it is better to go slower than faster,'" and so on.

Liu went on to assert that in the winter of 1955-56, "when it was apparent that a decisive victory over the ownership of the means of production was to be achieved very shortly...and when a mass upsurge in production and construction was beginning to take place, the norms set in the First Five-Year Plan should have been revised upward." Liu's statement of the case clearly implied that the party's planning at that time had been dominated by conservative forces--which had in fact been attacked by Mao in December 1955. Planning had in fact become more ambitious shortly after Mao had made clear his position.

Then in April 1956, according to Liu, Mao had "outlined a series of important policies" in his speech on the "ten relationships." The "general idea" of Mao's report, Liu said, was "to mobilize all positive factors and available forces for building China into a modern, prosperous, and mighty socialist state in the shortest possible time."

As Mao's April 1956 speech had never been published, it could not reasonably be cited in support of the proposition that Mao had unswervingly supported a "leap forward" program. As noted earlier, the truth seems to be that Mao, while temperamentally disposed to favor a bold course, was more cautious in April 1956 than he had been in the last half of 1955--at least in the sense of permitting a period of re-examination which was welcomed by the economic specialists.

Liu's report asserted that in 1956 "every phase of China's economy and culture made a mighty leap forward." While there had been "individual defects in our work" in 1956, "these defects paled before the tremendous achievements" of that year. "Some comrades," however, had "underestimated the great achievements...and hence regarded the leap forward of 1956 as a 'reckless advance'..." Further, said Liu, "some people" had even questioned the principle--

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which became the "general line" of 1958--of "achieving greater, faster, better, and more economical results," and were also doubtful of the program for agricultural development. This opposition to Mao's alleged position had "dampened the initiative of the masses and hampered progress on the production front in 1957--particularly on the agricultural front."

Liu added that the party had "soon corrected this error" --the error of equating a "leap" with a "reckless advance." The "soon" in Liu's account was September 1957, the date of the third plenum of the Chinese Communist party central committee. In other words, economic planning had been dominated by the moderates from autumn 1956 through summer 1957. The record indicates that this was true. What Liu did not say was that Mao himself had apparently, for good reasons, favored the moderates in this period.

Liu contended correctly that the September 1957 plenum had affirmed the "general line" of 1958--that is, that it was dominated by those, including Mao, who foresaw an "upsurge." The record suggests that most of the economic specialists also agreed at that time that the problems of 1956 had in general been solved and that rapid progress was possible.

Liu noted with satisfaction that progress since autumn 1957 had converted "many of those comrades who expressed misgivings" about the general line. However, said Liu, "some of them have not yet learned anything. They say: 'We will settle accounts with you after the autumn harvest.'" In other words, some part of the moderate forces remained moderates and were predicting that the year-end figures would vindicate them.

Liu described the course of economic development since 1955 as "U-shaped"--an "upsurge" in 1956, an "ebb" in 1957, and "an even bigger upsurge" in 1958. The party had "learned a lesson" from the U-shaped development: that it should not permit the sag in the middle but should hold to the "Marxist-Leninist theory of uninterrupted revolution." The central committee and Mao had "always" held to this principle. Liu did not see fit to recall that the central committee itself had proclaimed the shift from "anticonservatism" to a

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position midway between "conservatism" and "adventurism" in September 1956, and that on at least three occasions in the following seven months Mao had endorsed the moderate position.

Liu then stated the "basic points of our general line." Whereas he had gone to great lengths to prove the a priori wisdom of Mao and the central committee, Liu's introductory sentence revealed the true empirical development of the line. The line had been formulated, he said, "in the light of practical experience...and of the development of Comrade Mao Tse-tung's thinking in the past few years..." The "basic points" were:

To mobilize all positive factors and correctly handle contradictions among the people;

To consolidate and develop socialist ownership--that is, ownership by the whole people and collective ownership--and to consolidate the proletarian dictatorship and proletarian international solidarity;

To carry out a technological and a cultural revolution step by step, while completing the socialist revolution on the economic, political, and ideological fronts;

To develop industry and agriculture simultaneously while giving priority to heavy industry; and

With centralized leadership, over-all planning, proper division of labor and coordination, to develop national and local industries, and large-, small-, and medium-size enterprises simultaneously.

Liu's formulation provided the regime with a program for the entire economy which was a vehicle, as had been the 12-year program for agriculture, for political work throughout China. The promulgation of the line also helped to fill the gap left by the continued absence of a second five-year plan.

Liu then turned again to the opposition. Asserting that the "speed of construction has been the most important question confronting us," he noted that "some people" do not recognize the importance of increasing the pace, do not approve of the general line, and have "raised various objections." Some feared the toll of such a pace on the populace, some foresaw much waste resulting from such speed, and others were concerned about the development of "imbalances." Further, "some comrades" feared the diversion of funds from industry to agriculture, and "some people" doubted that agriculture could advance very rapidly

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under any conditions. Liu polemically refuted "some scholars" who contended that agricultural growth could not keep pace with that of the population.

Liu defined the present tasks of the party as continuing to resolve "contradictions among the people," strengthening the work of party organizations at all levels, and working hard to implement the general line for "socialist construction." He specified that the "most important task" in improving the work of the state was to work out decentralization.

Liu termed 1958 the first of three years of "hard struggle." He asked for a maximum effort in 1958, partly because "everybody is watching"--presumably including the moderates whom he had earlier denounced. In a rare note of caution, Liu told the cadres to combine "revolutionary enthusiasm with businesslike sense," not to indulge in "empty talk," but to set forth targets that "can be reached with hard work." Liu noted that obviously unattainable targets would "dampen the enthusiasm of the masses and delight the conservatives."

Liu saw the "guarantee of success" as the party's "correct leadership" of the leap. In other words, party committees "at all levels" must set objectives for, and supervise the work of, government organs. Liu observed ominously that "both inside and outside the party, there is a mistaken tendency...to think that the party cannot lead construction work, or work in the fields of science and technology, culture, and education." Liu added, characteristically, "Ideological and political work is always the soul and guide of every kind of work."

Liu concluded his report with a call for "a host of people who think, speak, and act with courage and daring," who will "conquer ever new positions for the truth." A party theorist later wrote that this call had originated with Mao Tse-tung, in his unpublished remarks to the congress.

Tan Chen-lin's report on the second revised draft of the 12-year program for agriculture was cut out of the same cloth as Liu Shao-chi's report. Tan repeated Liu's condemnation of those who had "cast doubts" on the achievements of 1956, Liu's defiance of those "comrades" who waited to "settle

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accounts" in the fall, and Liu's description of the "U-shaped curve" of development--a "bad thing." While Tan was as aggressively optimistic as ever, he dealt more fully with the necessity for avoiding "flashy results" and for working in "a practical way," and he gave greater allowance to the potential dangers of weather to agriculture.

The burden of Tan's report was concerned with the possibility of carrying out the twelve-year program "ahead of schedule." The "new upsurge in agriculture" made further amendments to the program "necessary." The yield target of "40 catties" per mu for cotton, which had been added in the first revision of 1957, now was dropped, and the yield of "60 catties" from the original program of January 1956 was restored. As the program had formerly read, the various yield and production targets appeared to be intended as ceiling figures which should not be exceeded. The new draft graciously corrected that impression. As Tan put it, "We hold that...the various provinces, municipalities, and autonomous regions are completely free to set up targets that will fulfill and overfulfill the program ahead of time."

Tan also endorsed the addition "of close planting," because it, "like other advanced measures for increasing production, has often encountered resistance from conservative and backward ideas." Similarly, the program now "stressed the building of small-scale irrigation works" by the agricultural producers' cooperatives. Tan's comment on the re-drafting of the old article on "mechanization and electrification" was in effect a summary of the new version of the 12-year program:

The new version reflects the great mass movement... now going on in the country; it takes into account the possibility that semi-mechanization and mechanization of agriculture may be realized through the expansion of small-scale local industries and by reliance on the funds accumulated by the agricultural cooperatives; it stresses the practical significance of the drive to improve farm implements, and it makes the point that the budding technical revolution in agriculture is a steppingstone to semi-mechanization and mechanization.

The third major report to the congress, that of Teng Hsiao-ping, was not released. Peiping's brief summary of the

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report indicated that it was concerned primarily with the "fallacies of modern revisionism" as embodied in the Yugoslav party program. To the extent that Teng may have discussed domestic developments in China, it can fairly be assumed that he took the same line as Liu and Tan. In autumn 1957, Teng had been prominent among the exhorters to a new "upsurge."

The congress was immediately followed by the fifth plenum of the central committee, which announced the decision to add three party leaders to the politburo and two--each already a member of the politburo--to the secretariat. As noted earlier, the three new politburo members appeared to be persons close to Mao and to "party machine" leaders Liu Shao-chi and Teng Hsiao-ping, while the two new secretaries were economic specialists who seemed closer to Chou En-lai.

The proceedings of the May 1958 party congress left a powerful impression of the strength of the "exhorters." The three major speakers--certainly selected by Mao--were the three principal leaders of the exhorters. The content of their speeches--the two published, at any rate--was the line which the exhorters had been publicly pressing since the previous autumn. The only speeches published or summarized were the reports of these three exhorters. Of the three new politburo members, at least two were exhorters (Ko and Tan), and all three were close to other exhorters.

Whereas the proceedings of the party congress of September 1956 had been open, those of the May 1958 congress were virtually closed. This feature made it difficult to evaluate the views of individual leaders on the controversial policies associated with the "leap forward," but at the same time it supported the view that there remained a substantial body of opposition to the exhorters. In other words, it seems likely that Liu Shao-chi and Tan Chen-lin in their reports to the congress were not simply flailing a straw man but were directing their attack against other party leaders. Further, this latter group was apparently being warned that Mao Tse-tung, who had supported the moderates in the autumn 1956 - summer 1957 period, had favored the exhorters since September 1957 and continued to do so.

The drive for a "great leap forward" in economic development increased in tempo after the May congress. Targets were raised one after another, and hundreds of thousands of small and primitive industrial facilities mushroomed throughout China. There was further decentralization, with much capital construction activity devolving on local authorities and adjustments made in the collecting of agricultural

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taxes--which gave local authorities a larger role in financial work. There was no indication at this time, however, that the party was soon to decide on the unprecedentedly audacious undertaking of the "people's communes."

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SECRET**IV. THE POSITIONS OF PARTY LEADERS****Mao and the "First Upsurge," 1955-56**

Mao Tse-tung was clearly the driving force behind the "first upsurge" of 1955-56. It was Mao who personally reversed, in July 1955, the party's gradualist approach to the socialization of agriculture. It was a spokesman for Mao, the theorist Chen Po-ta, who publicly "explained" the new policy when the central committee endorsed it in October. It was Mao again, in December 1955, who urged that the transformation of capitalist industry and commerce likewise be speeded. In the same month, it was Mao who asserted that the tempo of industrialization, as well as the development of science, education, and public health, should be accelerated. It was again Mao, also in December 1955, who defined the basic economic problem as that of combating "rightist conservatism" in production and construction. In January 1956 it was Mao who convened a Supreme State Conference to discuss the party's very ambitious program for agriculture. It was Mao's spokesman Chen Po-ta who in February 1956 asserted that grain output could be doubled in 12 years and that China could feed twice its present population.

Throughout that period other party leaders simply followed Mao's lead. In order to do so, some of them--including Liu Shao-chi, Chou En-lai, and Li Fu-chun--had to reverse themselves. Some of them, notably Teng Tzu-hui, did not choose to reverse themselves or were unsuccessful in doing so, and consequently declined in power. In sum, there was just one clear position--Mao's position; most other leaders prudently made it their own.

The "socialist transformation" of the countryside and its rapid extension to urban industrial areas, together with Mao's insistence on combating "conservatism" in production and construction, gave the party a complex of problems. The most important of these seemed to be how best to make the party's increased control of Chinese society speed the rate of economic growth.

In his speech in April 1956 on the "ten relationships," Mao apparently outlined in general terms the problems--or aspects of the principal problem--which remained to be solved. There is little or no evidence that Mao himself supplied the answers.

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In the spring of 1956 Mao apparently gave the senior government administrators and economic specialists--Chou En-lai, Chen Yun, Li Fu-chun, Li Hsien-nien, Po I-po, Teng Tzu-hui and Chia To-fu--the primary responsibility for devising measures to increase the regime's rate of economic growth. Those "party-machine" leaders who later appeared in the role of exhorters were not prominent in economic affairs in the spring and summer of 1956.

All of the administrators and economists, and in particular Po and Teng, seemed to have a strong sense of difficulties. Most of them favored greater individual incentives to increase the rate of economic growth.

By June 1956 it was apparent that the party was considering several important new measures. Chief among these was decentralization of the government--a plan with which Chou En-lai was identified. Li Fu-chun, Li Hsien-nien, and Chia To-fu publicly agreed that organs of government below the national level could profitably be given greater power.

The regime was also considering how to deal with previously neglected enterprises located for the most part in coastal areas. Li Fu-chun and Po I-po publicly acknowledged the possibility that these enterprises could provide substantial increments of production and a minimum of time and investment.

Another measure, being considered by Chia To-fu and probably other planners, was the building of "small- and-medium-size" plants. The thought was that these plants might be inexpensively financed and simply equipped from domestic resources, and that they could rely heavily on manpower.

The self-criticism of Li Fu-chun and Po I-po in the summer of 1956--relating to "subjective neglect of coastal industry" and construction on "too big and too modern" a scale--suggested that Mao Tse-tung had already spoken (in the April speech) in favor of at least two of the new measures. The self-criticism was also an indirect criticism of the Soviet advisors who had helped to draw up the First Five-Year Plan. The proposed new measures constituted a Chinese variation on Soviet theories of economic development.

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SECRETThe Moderates and the "Ebb Tide," 1956-57

Prior to the party's eighth congress in September 1956, it was apparent that the "upsurge" had generally been a success, but that attendant problems and natural calamities would force a downward revision of planned goals. During the September congress the party leadership officially abandoned the emphasis of early 1956 on the need to combat "rightist conservatism." The party was henceforth to steer a course between conservatism on the one hand and "leftist adventurism" on the other.

Both Liu Shao-chi, who made the principal report to the congress, and Chou En-lai, who presented the comparatively realistic Second Five-Year Plan, associated themselves with this more nearly moderate position. Chou gave more attention than Liu to "shortcomings and mistakes" in economic planning in 1955-56.

Liu, Chou, and other leaders who made lesser reports to the congress provided evidence that the period of reassessment of the party's course--the period initiated by Mao in April--had not ended, and that debate was still lively. Among the questions apparently at issue were the respective rates of development of heavy and light industry, the merits of large-plant versus small-plant construction, the feasibility of building an autonomous industrial system, the degree to which private enterprise would be tolerated, the ratio between accumulation and consumption, and methods of increasing agricultural output.

The eighth congress brought into the party politburo three of the four ranking economic specialists below Chen Yun, a politburo member for many years. Two of these, Li Fu-chun and Li Hsien-nien, were named full (voting) members. The third, Po I-po, was named an alternate (nonvoting) member. Teng Tzu-hui, a spokesman for the opposition to Mao's acceleration of agricultural socialization in 1955-56, was passed over.

The Chinese Communist party central committee met in plenary session only a few weeks after the party congress closed. The communiqué of this plenum indicated that the economic problems mentioned at the congress had become the party's principal concern. The party endorsed Chou En-lai's call for a "suitable retrenchment" in 1957, and Mao Tse-tung himself was said to have expressed "full endorsement" of this course.

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The party made a number of changes in the government's planning organs in late 1956. At the same time, Chen Yun apparently assumed responsibility for the implementation of a policy with which he had been identified, that of the limited "free market."

As 1957 opened, the regime was pushing its campaign for austerity and economy and was also permitting the publication of articles advocating a very moderate approach to economic development. A major theme of these articles was the need for "balanced, proportionate development" of the economy. The regime was apparently encouraging a shift away from an obsessive concern with heavy industrial development.

In the early months of 1957, several party leaders underlined the need for a retrenchment. Mao Tse-tung, in his "contradictions" speech in February, gave sanction to continuing the period of re-examination of economic policies, and he criticized those who failed to consider all possible proposals. He may also have declared himself in favor of an increased emphasis on agricultural development..

In the same period, three prominent economic specialists publicly reviewed the problems of the regime. Po I-po spoke twice in February on the task of "consolidating" the agricultural cooperatives and admitted the existence of considerable dissatisfaction among the peasants. Chen Yun in March outlined a number of specific measures for retrenchment. Teng Tzu-hui spoke in March in favor of moderate policies in the countryside.

Chia To-fu's outline of the 1957 economic plan, presented in late March, was also moderate in its approach. Possibly reflecting Mao's February speech, Chen implied that planning would give greater emphasis to consumer goods and agricultural production.

Between April and June of 1957, the regime's economic specialists traveled and spoke extensively, explaining the reasons for the moderate goals of the 1957 economic plan. Li Fu-chun and Po I-po were particularly active. Both admitted serious errors in past planning and among other things, increased proportional investment in agriculture and light industry, and greater authority for local levels, and greater emphasis on "small and medium" plant construction.

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The regime's chief spokesman in agricultural matters in the same period was the moderate Teng Tzu-hui. Teng emphasized the value of incentives.

Tan Chen-lin of the party secretariat first appeared as a spokesman on rural matters in May 1957, with an article designed to refute the contention that the life of the peasants was inferior to that of the urban workers. The article provided further indication that the regime was greatly concerned with increasing agricultural production, and it also seemed to illuminate Tan as a "high-pressure" man, unlike Teng Tzu-hui.

The National People's Congress was postponed until late June 1957, owing to "rightist" attacks on the party and its policies. Chou En-lai opened the congress with a defensive speech in which he denied that the regime had "advanced too hastily" in 1956, although he had admitted this the previous September; he also denied that the regime had "retreated too hastily" in 1957. Chou said greater power would be given local authorities.

Li Hsien-nien told the congress that the aim of the financial plan for 1957 was to "consolidate 1956." Like Chou, he endorsed decentralization. Po I-po told the congress about mistakes in planning in 1956, and predicted only a small increase in industrial production in 1957.

In July and August 1957, Po I-po and Chia To-fu were the key figures at the Peiping conference which drew up control figures for the 1958 economic plan. Their statements indicated that the planners envisaged for the 1958 targets only slight increases over 1957. Strikingly, both omitted any reference to the priority of heavy industry, and both emphasized the importance of developing agriculture.

In that period, the regime apparently calculated that the period of retrenchment could be concluded in 1957 and that the level of economic development in 1958 would be a little higher than in 1957. The clarion had not yet sounded for a "leap forward."

The Exhorters and the "Second Upsurge," 1957-58

The relatively moderate pace of 1957 had apparently succeeded, by September of that year, in resolving the problems

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attendant on the "first upsurge" of 1955-56. There had been a restoration of "balance" to the economy and, with this achieved, the dominant figures of the party leadership decided to undertake a "second upsurge."

The principal factor in the party's decision seemed to be a reassessment of the potential of the "rectification" movement, which was to be extended throughout the nation. The party leaders apparently believed that the party cadres and the populace, most importantly the peasantry, could both achieve and demonstrate their state of rectitude by some furious new effort.

At the central committee plenum of September-October 1957 Mao Tse-tung apparently took the lead in urging a "second upsurge," although his remarks were not published at the time. Mao seems also to have warned against further debate as to whether to proceed with another upsurge.

Teng Hsiao-ping in his report to the plenum foresaw that economic progress would be "greatly advanced" by the extension of the rectification campaign. Inter alia, Teng criticized three minor economic policies for which Chen Yun had been the chief spokesman, and he contradicted two views on agricultural policy espoused by the moderate Teng Tzu-hui. Teng Hsiao-ping emphasized the need for "rectification" in the countryside. He expressly predicted, as a result of consistent struggle against "conservatism," an "upsurge this winter in agricultural production and construction."

Chen Yun, who remained in favor despite his association with certain rejected measures, reported to the plenum on plans for decentralization and on problems in increasing agricultural production. In a minor report to the plenum, the obstinate Teng Tzu-hui continued to advocate moderate policies in rural work.

The proceedings of the September-October 1957 plenum made it apparent that the period of consolidation, begun in April 1956, was over. The regime was preparing to adopt some of the measures for speeding economic growth which had been under consideration since that time, and most of the party's leaders seemed to agree that a period of rapid progress was ahead.

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Beginning in October 1957, the aggressive Tan Chen-lin became the regime's principal spokesman on agricultural policy. Tan publicly "explained" the revised draft program for agricultural development. Later in the month, he publicly criticized the agricultural policies of the period July 1956 - May 1957 and warned that "insufficient confidence is a kind of rightist thinking." Tan observed that the greater part of the increase in agricultural development was to come from the efforts of the peasants themselves, and he foresaw great things for the large-scale mobilization of the peasantry for water-conservancy and irrigation projects.

In November, after almost a year of silence, Liu Shao-chi joined Teng Hsiao-ping and Tan Chen-lin in the role of exhorter. Liu criticized the "vague doubt and rejection harbored by some people" which had impeded the regime's economic growth.

The party's economic specialists who made public pronouncements in the same period generally supported the position of the exhorters. They took a less positive and emphatic line, however, and continued to show greater sensitivity to actual and potential problems.

The State Council in mid-November 1957, promulgated regulations providing for decentralization. The measures gave greater power in some respects to regional and local authorities and increased their incentives to control and expand production. The changes were aimed at correcting the 1956 "errors" of slighting existing industrial facilities and neglecting small- and medium-scale projects. The regulations were publicized as a means of organizing the new "production upsurge."

Liu Shao-chi appeared again as an exhorter in December 1957, calling on the nation to "forge ahead at full steam."

Li Fu-chun in the same month predicted a "new upsurge" in 1958, but he gave a more balanced view of economic affairs. In two pronouncements, he warned against overly enthusiastic implementation of some of the new policies and criticized those enthusiasts who manifested the disorders of "rash advance" or "superficially activism but in fact conservatism."

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Another national planning conference met in December. The 1958 plan targets, although unspecified, were said to have been set "much higher" than those fixed by the July-August planning conference.

Of four other key figures in formulating economic policies who made speeches during December, only Chia To-fu was moderate in tone. Liao Lu-yen echoed the aggressive line stated by Tan Chen-lin in October, and Tan himself, in new speeches, strongly endorsed the use of mass labor--sometimes of province-wide scope--in water-conservancy work. Po I-po assailed the continuing "conservatism" of unspecified central planners and derided those who were conventionally concerned with "balance."

The most aggressive position taken by any party leader in December was that of Chu Te, who was plainly speaking for Mao. Chu called for maximum effort, for "positiveness," and for "tense struggle," and he "sternly repudiated" the doubters. In one speech he publicly introduced the term "great leap forward," declaring that such a leap was possible in agriculture.

People's Daily opened the New Year 1958 with an echo of Liu Shao-chi's December call to advance at "full steam." It cited the "unprecedented production upsurge" in the countryside, the most important feature of which was apparently the water-conservancy campaign. This campaign reportedly involved some 100 million peasants.

At a party conference held at Nanning later in January, Mao Tse-tung apparently encouraged a "great leap forward." The conference reportedly discussed means of making the decentralization scheme contribute to this leap. In the same period Ko Ching-shih, first secretary of the party's Shanghai bureau, seemed to be emerging as a kind of counterpart in the industrial sector to Tan Chen-lin in the agricultural field.

The National People's Congress in February 1958 heard reports from Li Hsien-nien, Po I-po, and Chou En-lai. Li predicted "amazing" developments in 1958 and asserted the feasibility of a "new forward leap." He endorsed the use of mass labor and the policy of decentralization.

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Po I-po indicated that the "leap" was already under way; he observed further that the industrial targets set in December might be "greatly surpassed." Po called for the submission of targets to the "masses," who would raise them; this was the way in which the incredible targets of the "great leap forward" were later generated.

In his report, Chou En-lai adapted himself easily to the spirit of the "leap." His concern, however, was not primarily with economic affairs.

People's Daily throughout February encouraged a "leap forward." One editorial attacked the "conservative idea of striving alternately for progress and consolidations"--the concept which represented the party's own course in 1955-56 (rapid advance) and 1956-57 (consolidation). In May 1958 the paper's line was restated by Liu Shao-chi in his advocacy of "uninterrupted revolution."

In March 1958 the party held another conference. As at Nanning two months earlier, this conference, held at Chengtu, discussed decentralization and the prospects for a "leap." The conference was evidently responsible for the wholesale "passing down of authority" which took place during the remainder of 1958, as well as for the decision to undertake the greatest possible "leap," including a 20-percent increase in grain output.

It was at this point that moderate forces among the regime's administrators and economic specialists seemed to lose whatever moderating influence they may have been exerting. The sense of controlled and orderly action, the rationality supposedly implicit in a planned economy, disappeared from accounts of the regime's daily activities.

Following the Chengtu conference, "upsurge" and "struggle" meetings roared through the country. There was a rush of new and often incredible targets. In mid-April the regime released production figures for the first quarter of 1958 which provided statistical fuel for the fire of the "leap forward."

The party's economic specialists were silent during the leaping of the "leap" in March and April. Because other party leaders--including Mao, Liu, and Chou--publicly encouraged the "leap" during their travels in that period, it was of some interest that the economic specialists did not find similar occasions to do so.

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The "leap" dominated the party congress of May 1958. Liu Shao-chi told the congress that Mao Tse-tung all along had favored the current "general line" of "pressing consistently to achieve greater, faster, better, and more economical results." He failed to point out that Mao had favored a moderate course in the autumn 1956 - summer 1957 period.

Liu contended correctly that in September 1957 the party, led by Mao, had foreseen another "upsurge." He observed that some unidentified comrades had not agreed and that they remained unconvinced.

Liu said the party should not again permit an "ebb tide" such as that of the autumn 1956 - summer 1957 period. Such a development, he argued, would be inconsistent with the party's doctrine of "uninterrupted revolution."

Liu derided "some people" who did not recognize the importance of increasing the pace, feared the toll of the pace, foresaw much waste, were concerned about "imbalances," opposed a greater investment in agriculture, doubted that agriculture could advance rapidly, or believed that agricultural growth could not keep pace with the growth of the population. Liu called for the party machine to provide leadership for the "leap" at all levels, and he reaffirmed the centrality of "ideological and political work."

Tan Chen-lin's report to the congress on the 12-year program for agriculture was very similar to Liu's. He denounced those who had been skeptical of the results of the "first upsurge" and were skeptical of the prospects of the "second upsurge." Tan emphasized the possibility of carrying out the 12-year agricultural program ahead of schedule.

The proceedings of the congress supported the view that there remained a substantial body of opposition to the exhorters. Liu and Tan seemed to be warning this opposition that Mao since September had favored the exhorters and continued to do so. The level of the opposition, however, was unclear.

Of the three new politburo members announced after the congress--Ko Ching-shih, Li Ching-chuan, and Tan Chen-lin--at least two had been active in exhorting the "leap," and all three seemed to be close to Mao and the "party machine" exhorters. The two new secretaries, Li Tu-chun and Li Hsien-nien, already

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members of the politburo, had not been among the exhorters and had not seemed to be close to them.

Conclusions

Contrary to the party's efforts to present its "general line" as of May 1958 as the realization of a coherent set of policies projected by Mao Tse-tung years before the fact, the evidence indicates that the Chinese Communists in the 1955-58 period proceeded empirically in formulating their economic policies.

The party leaders were united in wishing to move ahead with socialization of the economy and with production and construction as rapidly as feasible. They differed, however, as to what rate of advance was in fact feasible--the problem which Liu Shao-chi in May 1958 described as having been the "most important question" facing the party all along. They also differed in their attitude toward specific programs and measures.

Although Mao Tse-tung was not the kind of prophet party spokesmen assert he was, he does seem genuinely to have been "The Leader"; that is, while encouraging other party leaders to express their views. Mao himself signaled the major changes in the tempo of economic development. Similarly, while encouraging other party leaders to devise specific programs and measures appropriate to the chosen tempo, Mao remained the ultimate arbiter of programs and measures.

Naturally disposed to favor an aggressive course, Mao was happiest when urging the "first upsurge" of 1955-56 and the "second upsurge" of 1957-58. He was also acting in character, however, in signalling those upsurges only when he felt secure in so doing, and in approving the "ebb tide" between the two upsurges. Mao has long instructed the party to "scorn difficulties strategically, but pay keen attention to them tactically"--a line he has often used to justify caution.

The "first upsurge" was enough of a success that Mao probably lost little prestige in 1956 when problems and natural calamities forced an "ebb." He may have lost a bit during 1957, however, in the eyes of some of the aggressive "party machine" figures. Mao was certainly vulnerable to a charge of poor judgment after the humiliating failure of his "liberal" political line in 1957, and he may similarly have been

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regarded by some party leaders as being too soft in his economic thinking as well--that is, as having overextended the "ebb tide" period. In any case, Mao committed his prestige heavily--beginning in September 1957--to the success of the "second upsurge" and--beginning in March 1958--to the success of the "great leap forward."

Whatever the truth may have been about fluctuations in Mao's prestige, throughout the course of the changes in the party line in the years 1955-58 other party leaders assisted Mao in his effort to appear to have been right all along. In other words, Mao continued publicly to embody the principle that the party can never be significantly in error. Mao's continuance in this public role is in itself impressive--some would say conclusive--evidence that Mao continued to dominate the party in the 1955-58 period.

Those party leaders who have been discussed in previous POLO papers as "party-machine" or "organizational" figures did not play important public roles in the "first upsurge" of 1955-56, as Mao chose that his would be the only leading role. By the nature of their party posts, however, all of them must have had important responsibilities in speeding the socialization of agriculture and the transformation of industry and commerce, as well as in accelerating production and construction. This was good practice for the roles they were to play in the "second upsurge."

Although Liu Shao-chi had been caught publicly in a "soft" position on agricultural socialization when Mao personally reversed the party line in mid-1955, the over-all record of both Liu and Teng Hsiao-ping suggests that they found congenial the hard line of the "first upsurge." Similarly, while Liu at the party congress of September 1956 associated himself publicly with the moderate economic policies adopted at that time, it is plausible that Liu and some of the other "party-machine" figures regretted the party's decision more than did many other leaders.

One need not accept at face value Liu Shao-chi's implication in his May 1958 report that he and like-minded comrades had consistently advocated an aggressive course and had attempted to prevent the "ebb tide" of 1956-57. It may be significant, however, that after September 1956--the beginning of the "ebb tide"--Liu and Teng Hsiao-ping were

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silent on questions of economic policy. It may also be significant that another "party-machine" figure, Tan Chen-lin, appeared as a swirl on the horizon in May 1957--months before the "ebb tide" ended-- with a speech on agriculture much harder in tone than those of other party leaders in that period.

Previous POLO papers have argued that Liu and Teng were not in sympathy with certain features of Mao's experiment with "liberalization" during the first half of 1957, and that this feeling was indicated in part by their silence. It seems possible that their silence on economic matters during the "ebb tide," together with Tan Chen-lin's appearance as a hard-line advocate, indicates that a small group of "party-machine" figures had not been fully in accord with Mao's decisions on economic questions, just as they had not fully agreed with his political course.

In the summer of 1957, the "party-machine" leaders may have taken the lead in urging or encouraging Mao Tse-tung to merge the "antirightist struggle" and the party's rectification campaign into a nationwide rectification campaign. They no doubt saw in developments of 1957 a vindication of their emphasis--normally Mao's own emphasis--on the importance of indoctrination, on the capabilities of organizational techniques, and on the necessity of maintaining momentum. They may have seen, more clearly than other party leaders, the rectification campaign as a mechanism for mobilizing the populace--particularly the underemployed rural labor force--for a furious new campaign to reverse the "ebb tide."

In any case, the "party-machine" leaders came into their own in September 1957 with the announcement of nationwide rectification and with the unannounced decision to proceed with another "upsurge" in economic development. As the principal supervisors of the rectification campaign, they were well situated to supervise the process by which the energies made available through rectification were to be directed into a "second upsurge." Moreover, in this process the party machine was to assume much more authority and responsibility for economic development at all levels.

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Teng Hsiao-ping, Tan Chen-lin, and Liu Shao-chi (in order of appearance) in the autumn of 1957 took the lead at the national level,

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and Ko Ching-shih and perhaps Li Ching-chuan at the regional level, in publicly exhorting the "second upsurge" and in criticizing the more moderate positions taken earlier by other party leaders. In the spring of 1958, 25X1

25X1 [] some of these "party-machine" figures played the principal roles in exhorting the "great leap forward" and threatening those who were opposed to a headlong course. The "party-machine" figures played their roles with the gusto of those who fully endorsed the course they were urging. In short, there seems to have been a happy coincidence of their party positions, their roles in the party's two major campaigns of 1957-58, and the courses of action which they personally favored.

Each of the six full members of the current politburo regarded as "party-machine" figures, with the apparent exception of Peng Chen, gained in power and prestige in the course of the "second upsurge" and its transformation into the "great leap forward." This was strikingly demonstrated at the party congress of May 1958: the three major reports were given by Liu Shao-chi, Teng Hsiao-ping, and Tan Chen-lin; and Tan, Ko Ching-shih, and Li Ching-chuan were "elected" as the three new members of the politburo. With respect to Liu Shao-chi, the principal figure of this group, his increased prestige was shown further by his presenting himself (being permitted or feeling free to present himself) as having been right all along, like the great Mao himself.

Chou En-lai's personal position at any given time in the years 1955-58 is hard to determine. In his public role, Chou slid smoothly into whatever position was the official party line of the time; thus he spoke seriatim for conservative, aggressive, moderate, and very aggressive economic programs without indicating a personal preference. Similarly, Chou was identified or associated throughout the 1955-58 period with various measures--in particular, decentralization--which are not susceptible to classification as "hard" or "soft" in the way varying positions on the feasible rate of economic development can be classified.

Chou's post as premier, certainly the most important in the government, has in itself encouraged speculation that he is to be found more often on the moderate than on the aggressive side, when economic issues can be drawn in those terms. As several observers have noted, Mao and certain of the "party-machine" figures are the party's theorists, and it is

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easier to translate theory into policy than to translate policy into practical results. Similarly, it is easier to set objectives for government organs and to approve or disapprove their work--the task of the party organs--than it is to produce work which will meet the standards of "greater, faster, better, and more economical results" simultaneously. In this connection, with the party machine's assumption in 1958 of greater direct responsibility for economic results, party-machine figures might be expected thereafter to show increased sensitivity to problems and to interject notes of caution in their exhortations; there were some indications of this in the speeches of the exhorters at the May 1958 party congress, although the emphasis of the speeches was certainly otherwise.

It is plausible to presume that Chou occupied a position somewhere to the right of the "party-machine" figures in the party's private deliberations on economic matters in the 1955-58 period. This conjecture might be supported by Chou's relatively small public role in the "second upsurge"; it might also be supported by his small role at the May 1958 congress and by the consideration that no one regarded as close to Chou was added to the party politburo at that time. It is impossible, however, to judge from the record whether the distance separating Chou from the "party-machine" figures was significant--in other words, whether it was wide enough to put Chou in another defined group.

Chou's government apparatus lost some power, relative to the party machine, in organizing and managing the "second upsurge." Chou also seemed to lose some power, relative to the "party-machine" leaders, in the party politburo; the three new politburo members appeared likely to be responsive to the "party-machine" leaders rather than to Chou in any policy disputes or factional struggles that might develop. However, Chou did not seem to lose any prestige in the 1955-58 period. He began and ended it as the third-ranking party leader and was reported in the party press in terms only a little less glowing than those used for Liu.

Like the "party-machine" figures, the party's senior economic specialists--Chen Yun, Li Fu-chun, Li Hsien-nien, Po I-po, Teng Tzu-hui, and Chia To-fu--did not have important public roles in the "first upsurge" of 1955-56. In most cases the positions they took in party deliberations are unknown. One of them, however--Teng Tzu-hui--is known to have

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been a spokesman for the opposition to Mao's policy of speeding the socialization of agriculture. Other economists may have looked with disfavor on that policy and on other aspects of the "upsurge," but without stating their position as strongly as Teng.

The economists welcomed the opportunity in the spring of 1956 to examine the regime's problems and to devise practical measures to stimulate economic growth. The economists, together with Chou En-lai, seemed to be the sources of the promising new proposals relating to decentralization, the exploitation of coastal industries, and the construction of "small and medium" plants. At the same time, all economic specialists were disposed to a comparatively cautious line in economic planning while the new proposals were being examined.

By September 1956 the moderate economists, possibly together with Chou En-lai, had come to dominate the party's thinking--that is, they had the strongest influence with Mao--on the question of the tempo of economic advance. This was reflected in the moderate course approved by the party congress of September 1956, as well as in appointments to the politburo, where long-time politburo member Chen Yun was joined by the next three ranking economists.

During the remainder of 1956 and the first several months of 1957--the greater part of the course of the "ebb tide"--the economic specialists continued in a position of dominance. Whereas "party-machine" leaders were silent (Liu Shao-chi and Teng Hsiao-ping) or showing overt signs of restlessness (Tan Chen-lin), the economists were very articulate in explaining the need for "retrenchment," for greater incentives, and for moderate planning.

The economists were in an ambiguous position by the summer of 1957. Some of the practical measures which they had devised--measures aimed at stimulating future economic growth--had gained general favor. On the other hand some of the "soft" policies which they had sponsored during the "ebb tide" had been disappointing, so they were to some degree vulnerable to criticism.

During the summer of 1957 the economists were losing their position of leadership in economic affairs. Mao Tse-tung, either on his own or at the urging of "party-machine" figures, was deciding to undertake a nationwide "rectification"

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campaign which appropriately was to be led by "party-machine" figures who would in turn be properly placed to supervise the campaign's direction into another "upsurge" in economic development and to supervise the party machine in its greatly expanded role.

Thus, in the autumn of 1957, although the economists agreed with other party leaders that a period of rapid economic progress was ahead, the leadership of the "second upsurge" was given to "party-machine" figures. During that period the economists were acting honestly in giving general support to the sanguine line of the "party-machine" figures, but they were also acting honestly in expressing reservations.

One of the economists, Po I-po, by December 1957 had publicly abandoned his reservations. Po's action, in the light of his previous record, seems to have been opportunistic.

The party's senior economists, together with Chou En-lai, were increasingly drawn in the early months of 1958 into the "upsurge" and its transformation into a "great leap forward." To some degree this process probably reflected a genuine increase in their confidence, but to some degree a loss of control over developments. The silence of the economists during the leaping of the "leap" in the spring of 1958 may well have reflected disapproval of some features of the "leap's" management--in particular the exhortations to unrealistic goals in agriculture.

The displacement of the economists as economic leaders was illustrated at the party congress of May 1958. None of them gave a major report, and those who were not already members of the politburo were not named to it. Moreover, the economists were being indirectly criticized in the contention of Liu Shao-chi and Tan Chen-lin that the party must not again permit an "ebb tide." Most of the economists, however, remained in favor both with Mao and with the "party-machine" leaders.

As of May 1958, in sum, Mao Tse-tung and the "party-machine" leaders had set a course in economic development so aggressive that the term "planned economy" was hardly meaningful. This course was to continue at least through 1960, and the party's interpretation of "uninterrupted revolution" could serve to extend it as much further as the human material at hand would permit. It was primarily the

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"party-machine" leaders who were charged with organizing, indoctrinating, and driving the party cadres and the Chinese people and with estimating how much could be got out of them.

As of May 1958, Mao and the "party-machine" leaders had committed their prestige jointly, and very heavily, to the achievement of spectacular results in the "great leap forward." The prestige of most of the party's senior administrators and economists was less heavily committed.

As of May 1958, the prospects of the "great leap forward" were uncertain, but they gave promise of affecting the party hierarchy in any case. If the "leap" were a great success or could plausibly be presented as that, Mao's position would be strengthened and the "party-machine" leaders--particularly Liu Shao-chi--would improve their prospects for eventually succeeding him at the helm of the party. If the "leap" were a serious disappointment, a development which would be concealed from the public, the blame could be fixed on some of Mao's lieutenants: certain "party-machine" figures who had given Mao bad counsel or had failed in performance, or some of the administrators and economists who had opposed the extremes of the "leap" and thus could be accused of sabotage. A forthcoming POLO paper will discuss the course of the "great leap forward" after May 1958.

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